

*A copy of this 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 preliminary Prospectus may not be complete and may have to be amended.*

*This 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.*

**Preliminary Prospectus dated June 28, 2019**



**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.

“**cGMP**” means certified Good Manufacturing Practice, a set of procedures and construction standards to certify the manufacture of quality products

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

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

“**Cultivation License**” means the Standard Cultivation 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.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization

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

“**Enoch Facility**” means the proposed facility to be established on the Enoch Site to grow cannabis.

“**Enoch FN**” means the Enoch Cree Nation located in Edmonton, Alberta.

“**Enoch Site**” means the proposed site of the Enoch Facility located at Edmonton, Alberta.

“**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.

“**Evidence Package**” means a site evidence package with visual evidence to demonstrate the completion and functionality of a cannabis facility to be licensed, which includes documentation, photos and videos of site and building plans showing evidence of all physical security measures and Good Production Practices (“**GPP**”).

“**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 FN**” means the Samson Cree Nation located in Alberta.

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

**“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 Enoch 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 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 the Cannabis Act 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 further development at the Enoch 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 association with the First Nations leaders and communities comprising the Enoch Cree Nation (the “**Enoch FN**”). This association will develop cannabis cultivating facilities on Enoch 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 has prepared an application for a Standard Cultivation license under Bill C45 the Cannabis Act to be a licensed producer of Cannabis (a “**Licensed Producer**”) and build the Enoch Facility, comprised of a 221,800 sq. ft. of outdoor cannabis grow and ancillary facilities, at the Enoch Site.

The Issuer plans for harvested fresh cannabis to be sent off to another LP for extraction.

### Use of Available Funds

The Issuer has entered into lines of credit, where each lender has agreed to lend the Issuer up to \$300,000 See “*Material Contracts*”. The principal on the lines of credit is not due until March 15, 2022. The interest rate on the borrowed funds is 12% per year, no interest is payable for 365 days from when the Issuer receives its license to grow cannabis or at maturity, March 15, 2022. None of the capital may be drawn down until:

- The Issuer has filed an application to grow cannabis under the Cannabis Act;
- The Issuer has received a conditional listing from the CSE;
- The Issuer has received a receipt for a final prospectus from the British Columbia Securities Commission; and
- The Issuer has completed a financing of at least \$300,000 within 30 days prior to the request for an advance under this agreement.

As at May 30, 2019 the Issuer had an estimated working capital deficit of \$258,235.

The Issuer anticipates using its available funds to construct its grow out facilities under the Cannabis Act to grow cannabis at the Enoch Site and for working capital.

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

Construction Costs	
Site preparation & Fencing	95,000
Renovate and Equip administration building	20,000
Construct and equip Processing building	320,000
Software & Hardware	120,000
Operating Expense	
General & Administration <sup>(1)</sup>	464,855
Lease Payments	1,000
CSE Listing Fees	15,500
Interest	7,920
Unallocated Available Funds	100,000
Total	1,144,275

- (1) General & administration expenses are for 12 months and include: accounting fees (\$8,800), audit fees (\$10,000), bank charges (\$1,200), Consulting Fees (261,000), License Application fees (14,855), legal fees (\$20,000), management fees (\$96,000), office and administration (\$20,000), transfer agent and filing fees (\$13,000), Travel (\$20,000)

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 prepared a license application to be submitted to Health Canada for a standard cultivation license;
- the Issuer has yet to begin construction of a growing facility, which needs to be constructed and operational prior to the Issuer submitting an evidence package to Health Canada;
- the Issuer does not have an agreement with the Enoch FN to supply employees although the Issuer plans to give a preference to hiring Enoch 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 the seedlings entering the growing facility are diseased or have other pathogens, the pathogens may cause the crop to fail affecting profitability negatively;
- 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 future 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 expense;
- 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 Enoch 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 Enoch Facility is expected to be integral to the Issuer's business and adverse changes or developments affecting the Enoch Facility may impact the Issuer's business;
- to date, the Issuer's activities and resources have been primarily focused on the establishment of a cannabis growing facility in Alberta, the Issuer expects to be focused on licensing and development of the Enoch Facility for the foreseeable future until completion of the construction and issuance of a license to cultivate cannabis and cultivation begins;
- 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 inability of the Issuer to access enough additional capital for its operations could have a material adverse effect on the Issuer's financial condition, growth and 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 24.19% 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 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 grow or sell medical or recreational cannabis;
- If the Issuer cannot successfully develop, manufacture and distribute its products or if, the Issuer is not able to develop market-ready commercial products at acceptable costs, the Issuer's ability to effectively enter the market would be adversely affected;
- 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 market 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 enough 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 the Issuer's medical 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 three-month period ended March 31, 2019 and audited annual financial statements for the years ended December 31, 2018 and December 31, 2017. See "*Management's Discussion and Analysis*" for MD&A of the Issuer for the years ended December 31, 2018 and December 31, 2017 as well as the three-month period ended March 31, 2019, which are attached to this Prospectus as Schedule A.

	<b>3 months ended March 31, 2019</b>	<b>Year ended December 31, 2018 (audited)</b>	<b>Year ended December 31, 2017 (audited)</b>
<b>Statements of Operations Data</b>			
Total Revenues	\$NIL	\$NIL	\$NIL
Total Expenses	\$183,233	\$433,353	\$222,304
Financing Fee	\$125,000	\$NIL	\$NIL
Net Loss & Comprehensive Loss	(\$183,233)	(\$484,063)	(\$217,483)
Net Income (Loss) per Share – Basic and Fully Diluted	(\$0.02)	(\$0.05)	(\$0.05)
 <b>Balance Sheet Data</b>			
Total Assets	\$367,833	\$364,074	\$54,414
Total Liabilities	\$212,424	\$167,932	\$217,041
Total Equity (Deficiency)	\$155,409	\$196,142	(\$162,627)



## 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 for the fiscal year ended December 31, 2018 \$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 \$150,000 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 cultivating cannabis and possibly transitioning into a vertically integrated corporation cultivating cannabis as well as potentially manufacturing cannabis concentrates, cannabis infused edibles and other cannabis products for medical and recreational use.

On March 26, 2018, the Issuer incorporated a British Columbia corporation Alta-Sun Samson Holdings Corp. (Alta-Sun). Alta-Sun has leased 5 acres of land on the Enoch Cree Nation lands and prepared a Standard Cultivation License application for the site. Alta-Sun plans to pursue the licensing, construction and operation of a cannabis growing facility on Enoch FN lands. Alta-Sun is to be the developer and future operator of the Enoch Facility.

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 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 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, this agreement terminated on December 31, 2018.

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, this agreement terminated on December 31, 2018.

On September 10, 2018 the Issuer signed an additional agreement regarding Samson FN Lands, this agreement terminated on December 31, 2018.

On October 17, 2018 the Issuer issued 320,000 stock options to directors and consultants to the Issuer, the options expire on October 17, 2023 and have an exercise price of \$0.25 per share.

On November 16, 2018 the Issuer signed a lease to lease 5 acres of land on the Enoch Cree Nation Lands.

On March 15, 2019 the Issuer signed a series of lines of credit to provide a total of \$1.2 million of working capital. The Issuer committed to issued 500,000 common shares to the lenders to pay administration fees of \$125,000. *See Use of Funds and Material Contracts.*

On March 31, 2019 the Issuer signed an amended lease for the 5 acres of land at the Enoch Cree Nation.

On March 31, 2019 the Issuers board approved the issuance of 200,000 Shares to Andy Morin as a bonus for contracting to be the Issuers Master Grower.

On April 26, 2019 the Issuers board approved the issuance of 40,000 shares at \$0.25 per share for total proceeds of \$10,000. 20,000 of these shares were issued to Doug Unwin the Issuers CEO for proceeds of \$5,000.

On April 26, 2019 the Issuers board approved the issuance of 50,000 shares at a deemed value of \$0.25 per share for the settlement of \$12,500 owed to Doug Unwin the Issuers CEO under his employment contract. On the same date the Issuers board approved the issuance of 63,000 shares at a deemed value of \$0.25 per share for the settlement of \$15,750 owed to a director, Mark van der Horst for services.

On April 26, 2019 the Issuers board approved the issuance of 500,000 shares at a deemed value of \$0.25 per share as administrative fees for \$1,200,000 lines of credit, of this amount was 125,000 shares will be issued to Robert Charlton the Issuers CFO.

On April 26, 2019 the issuers board approved the issue of 627,000 shares at a deemed value of \$0.25 per share to settle outstanding payables.

On May 29, 2019 the Company issued 252,000 common shares at a price or \$0.25 per share for total proceeds of \$63,000.

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.

### **Employees, Specialized Skill and Knowledge**

The operations of the Issuer are managed by its directors and officers. The Issuer’s directors and officers possess a wide range of professional skills relevant to pursuing and executing its business strategy *see “Directors and Officers”*. The director’s skills and experience are augmented by the skills of Andy Morin, Master Grower and John Lyons Head of Security.

Andy Morin – Master Grower, Andy is a member of the Enoch Cree Nation, he is licensed under ACMPR to grow cannabis. He has extensive training in cannabis cultivation including completion of Level 1 Cannabis Production program at Olds College and a Master of Marijuana certificate from the Cannabis Training Institute. His business management education includes; a General Business diploma from the Northern Alberta Institute of Technology and a Business Management Diploma from Athabasca University with a focus on aboriginal business, history, law, governance, and process. Mr. Morin has gained substantial management experience and experience supervising employees in his roles in management at the Enoch Cree Nation chief’s area, River Cree Twin Rinks retail operations and as manager of the Enoch Cree Nation cannabis dispensary.

John Lyons –VP of Security, John is a retired RCMP officer with over 35 years of service. John is a partner with ATRiM Group, specializing in terror and other crime threats to critical infrastructure. John takes a special interest in mitigating the threats posed from dependency on ID and other documents to do business with people, and how emotions and cognitive bias influence the judgments and decisions they make. He tracks and applies science on behavioral insights, and how working environments positively or negatively influence the choices people make when tempted to do bad things.

In addition, the Corporation has engaged various specialized consultants to assist in various areas where full time employees are not required *see "Economic Dependence"*. These specialized skills include, but are not limited to, cannabis cultivation, security, marketing, financial and business skills. The Issuer believes that its management has gathered all of the key components for the successful development of the Enoch Facility, such as strong technical skills, expertise in security, planning and financial controls, ability to execute on business development opportunities, capital markets expertise, entrepreneurial experience and cannabis cultivation experience which may allow the Issuer to effectively execute its business plan.

## **Narrative Description of the Business**

The Issuer's goal is to establish itself initially as grower of cannabis starting with the Enoch Facility, potentially growing into a vertically integrated grower and manufacturer of cannabis concentrates and cannabis infused products. During the development of the Enoch Facility the Issuer will operate virtually, contracting out tasks that may be required only once or sporadically, such as engineering, construction, license applications, production of evidence packages and propagation of seedlings. Utilizing this virtual business model and planned growing outdoors is the Issuer's strategy to position itself as a potential low-cost producer of cannabis flower for extraction *see Alberta Cultivation*. In addition, the Issuer's planned business model may reduce the requirement for skilled labour that is in high demand and short supply in the cannabis industry.

The Issuer plans to use a business model unique in the Cannabis industry in Canada. Instead of using valuable land, capital, natural gas, electricity, CO<sub>2</sub> and other resources for propagation of cannabis plants, the Issuer will purchase seedlings from a nursery to grow out to flowering plants in its own facility. The Issuer has contracted with Propagation Services Canada (PSC) for the supply of seedlings for its first crop and an additional 2 years *see "Material Contracts"*. The cost per seedling under the terms of the contract with PSC is \$20.00

Utilizing this model, may reduce the risk of pathogens being passed from one crop to another due to cross contamination problems in the Issuer's propagation area. Under the contract with PSC, PSC warrants that the plants provided for each propagation order will be grown and shipped in accordance with the specifications of each order and shall be free of defects. The Issuer will not knowingly accept diseased plants under this contract.

This model may also reduce capital costs as there will be no need to build the mother rooms and growing rooms for seedlings. This strategy may also reduce operating costs as there will be no need for electricity to operate grow lights or HVAC systems or a need to purchase supplemental CO<sub>2</sub> for propagation. 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. Purchasing seedlings vs in house propagation for an outdoor grower like the Issuer may be especially cost effective as propagation is only required once a year and having inhouse propagation and keeping expensive, highly skilled propagation staff employed year round may add significant annual labour and overhead costs over a year vs purchasing seedlings. Propagation also requires additional management and systems. Utilizing this model may reduce capital cost, the risk of cross contamination, the need for skilled management and labour and the risk of crop failure in propagation. As the Issuer does not expect to have a license in time to plant a crop in 2019 there will be no cost of seedlings in the next 12 months.

The Issuer's initial grow out facility will be designed as an independent outdoor growing area of 5 acres equal to 217,800 sq. ft., By growing outside the cost of lighting, cost of electricity and gas for heating and cooling, cost of supplemental CO<sub>2</sub>, depreciation of large capital costs for building and greenhouse construction may contribute to the reduction of the cost to grow cannabis as compared to growing indoors

or in a greenhouse. In addition, the low cost of rural farmland and the ability to grow much larger plants outdoors vs indoors or in a green house also may contribute to a lower cost per gram of production.

After the Issuer has received a license to grow and sell cannabis from Health Canada, the Issuer may seek to expand its land base on the Enoch Cree Nation lands if suitable land is available at a reasonable cost. The additional property would need to be large enough in scale to secure a significant market share and provide growing costs low enough to establish the Issuer as a low-cost producer in the cannabis industry. The issuer would need to apply for an amendment to its license in order to grow cannabis on this additional acreage and would not plant a crop until June of 2021 at the earliest, if a new license has been issued by then. The fixed overhead cost of an operation to grow cannabis can be significant, by having a larger growing operation vs a small 5-acre growing operation, the increase in production may provide a larger contribution to cover fixed operating costs, improving profitability.

In addition, the facility is located in an area where the weather and soil conditions are ideal to grow cannabis outdoors. *See Alberta Cultivation.*

The facility will be fully secured with an 8-foot-high perimeter fence topped with barbed wire, 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 cost to develop the Enoch facility excluding the processing facility is estimated at \$230,000.

The Issuer plans to construct a 3,000 square foot processing facility at the Enoch site. The issuer's plan is to harvest fresh flower to be sent to another LP for extraction. The construction cost of this facility is estimated at \$300,000. The Issuer has not entered into a contract for the extraction of oil from its potential crop.

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

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

- standard operating procedures have been developed to reduce potential cross contamination from pathogens;
- standard operating procedures have been developed to reduce security risks associated with an outdoor grow;
- elimination of propagation at the facility:
  - may reduce cross contamination as pathogens will not be transferred from the grow out facility to the seedlings in a different geographically separated facility from one crop year to the next;
  - may reduce the need for skilled nursery workers;
  - may reduce capital costs; and
  - may reduce energy and other operating costs
- utilization of the annual average of 320 sunny days in the Enoch 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 Sparkelingeyes for the development of the Samson Facility. These agreements terminated on December 31, 2018 as the other parties to the agreement did not complete any of the milestones required under the agreement.

On November 16, 2018 the Issuer entered into a lease for 5 acres of CP land on the Enoch Cree Nations lands with band member Jesse Morin the CP land holder. This lease was amended on March 31, 2019 to extend the lease period to 10 years.

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

Alta-Sun has contracted with Propagation Services Canada for the supply of seedlings see “*Material Contracts*”.

Construction of the facilities is planned to begin in q2 of 2019 with the installation of the security fence around the property and installation of the administration building. The initial crop of 4.5 acres is planned to be planted in 2020, if the Issuer has received approval from HC by that time.

The Enoch Facility plan is to produce fresh cannabis for oil extraction or sale to other LP’s. The Issuer has yet to enter into any contracts for extraction see “*Risk Factors*”.

## Central Alberta Weather

The typical growing season in central Alberta lasts between 120 – 140 days, enough time to grow one crop of cannabis per year. Typically planting would occur between the end of May and the middle of June. An area of Alberta is known as Hail Alley for its frequent hailstorms. The Issuer has selected a property that is outside Hail Alley to reduce the chance of hail damage to crops. Hail Alley is to the south and west of the leased property. Hemp crops grown in Alberta tend to avoid many common diseases and pest outbreaks (<https://extractmag.com/the-best-conditions-for-growing-hemp-how-does-alberta-stack-up/>).

### Temperature

Between May and September daily high temperatures in central Alberta range from 17°C – 23 °C, while lows range from 4°C - 10°C. The temperature range between daily highs and lows is about 10°C. The ideal temperature for flowering is 18–26 °C, having a location that provides high temperatures within this range may equate to increased production of THC and CBD. In addition, the cool nights may equate to increased trichome and terpene production.

### Rainfall

Average rainfall ranges from a low of 44.9 mills in September to a high 88.1 mills in July. The low rainfall in September may reduce risk of mold and mildew as crops are approaching harvest. The higher rainfall in June may reduce the need and cost of watering crops.

### Daylight

The long days of summer with 16.5 hours of daylight per day are long enough to produce a substantial crop over the growing season. In addition, on average, clear skies prevail from June 21 to October 11 providing lots of sun during the growing season to induce rapid growth of crops.

### Wind

Winds in central Alberta, on average, are lowest during the growing season from June 8 to September 21. Consistent moderate winds like those in central Alberta are ideal for cannabis growth.

The issuer will seek to grow strains of cannabis whose genetics are compatible to the growing conditions at the Enoch Facility.

### Overview of the Issuer

The Issuer has leased 5 acres of Certificate of Possession reserve land (“**CP Land**”) for the purpose of constructing a cannabis growing facility. 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.

There will be no cost to the Issuer for attaining the approval from Minister of Crown-Indigenous Relations and Northern Affairs. The CP land holder has advised the Enoch band office of the lease with the Issuer and the band office submits the lease for approval to the Minister. If the lease is not approved and the Issuer must abandon the location, the approval of the Issuer’s standard cultivation license may be delayed by a year or more see “*Risk Factors*”.

The Issuer has made an initial payment on the lease for CP land of \$1,000 to the CP Land holder. Annual lease payments are set at \$200 per acre. Under the lease agreement the Issuer will pay to the landlord a royalty of 3% of EBITDA for all product grown on the 5 acres. See “*Material Agreements*”



CCI and Propagation Services Canada have assisted the Issuer to design the Enoch Facility including 4.5 acres of canopy for planting in 2020, a processing building and security plan as well as administration building and all standard operating procedures. The total estimated capital cost for establishing the Enoch Facility is outlined below.

Administration Building	\$ 20,000
Security Systems	\$120,000
Building Cost	\$150,000
Fencing and Infrastructure	\$ 90,000
Interior Finishing	\$150,000
TOTAL	\$530,000

Upon completion of the construction of the Enoch Facility, the Issuer will submit its completed application and Evidence Package to HC. Upon issuance of its license to grow, the Issuer will move from being a virtual operation and increase its staff to reflect the requirements of operating the facility.

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 **3** fulltime employees at the Enoch Facility augmented with part time labour as required.

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

## 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 Samson Agreement was terminated on December 31, 2018, as Rod Saddleback is unable to provide the documents required in the agreement. 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 enough quantity to support a growing distribution channel. See “*Narrative Description of the Business*”

On November 16, 2018 the Issuer leased 5 acres of CP land on the Enoch Cree Nation lands in Edmonton. The Issuer intends to develop an outdoor cannabis cultivation facility on these lands under the new Cannabis Act. The Issuer does not anticipate receiving its license to grow cannabis until 2020 and does not intend to plant an initial crop until 2020. On March 31, 2019 the Issuer signed an amended lease to increase the occupancy of the lease to 10 years. See “*Material Contracts*”.

## Changing Regulatory Landscape

The 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 set out the process for license applicants, such as the Issuer, to obtain Licenced Producer status.

According to the Financial Post, as of March 31, 2019 there are 614 active license applications under the Cannabis act.:

Of the 1,665 applications submitted by May 2017, less than 10%, 116 licenses have been issued to August 31, 2018, of those only 10 are cGMP. As of December 31, 2018, of 839 applications under the ACMPR that need to be transitioned to applications under the Cannabis Act only 409 have made that transition. The remaining 430 applications will not be reviewed until they have transitioned to the CTLS (Health Canada).

As of March 31, 2019, Health Canada had received 151 applications for micro-cultivation licenses, 1 has been issued. As of May 9, 2019, 191 applications had been received by Health Canada that include an outdoor cultivation component, 1 license has been amended to include an outdoor cultivation component.

## Legalization of the Adult-Use Recreational Cannabis

Recreational use of cannabis became legal in Canada on October 17, 2018. 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 proposed 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.

## 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, sought 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 were 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, most 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 rules regarding alcohol packaging.

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 legalization of recreational cannabis in Canada. Bill C-45, the Cannabis Act, allows 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 governs 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, being passed into law, is the creation of a market for recreational cannabis in Canada. Bill C-45 in comparison to ACMPR significantly expands the class of individuals who are legally permitted to purchase and consume cannabis in Canada.

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

On June 20, 2018, Bill C-45, the Cannabis Act received royal assent. The Cannabis act became law on October 17, 2018. The Issuer with the assistance of CCI has assembled an application for a Standard Cultivation License under the Cannabis Act.

On May the 8<sup>th</sup> 2019 Health Canada announced changes to the license application procedure under the Cannabis Act. These changes were implemented because 70% of applications that have been reviewed by Health Canada and given a certificate of readiness to build, have never submitted an evidence package to continue the licensing process. Under the new procedure, an applicant must submit its evidence package within 10 days of submitting its application. In addition, the application must now include an applicant's business plan. Health Canada has introduced this change to reduce the number of applications it receives and improve service levels to applicants ready to grow.

Because HC has indicated that applications under this new procedure may have reviews and security checks done in parallel reducing the application timeline, consultants estimate the application time line may be reduced to 6 months from the time an application is accepted. Consultants have the opinion that only applications submitted before December 31, 2018 that were in the review stage in early 2019 have any advantage over applications submitted under the new rules in relation to when a license would be issued.

## 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. 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. The application fee for a Standard Cultivation license is \$3,277.

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

Responsible Person – Douglas Unwin;  
Head of Security – John Lyons;  
Master Grower – Andrew Morin;  
Alternate Responsible Person – Bob Maddigan;  
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 the above individuals require security clearance and must submit their security clearance application form before a licence application can be submitted in the CTLS. Under the new procedures the security review of these individuals may take up to 6 months at an estimated 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. Due to changes in the licensing system on May 8, 2019 as noted above an Evidence Package must be submitted within 10 days of submitting an application using CTLS. Failure to submit the Evidence Package within 10 days will result in a rejection of the application without prejudice.

After Submitting the application and Evidence Package, the following steps to licensing are taken.

#### 1. Application Screening

During screening, the application, attached documents and, if required, the submitted site evidence package are assessed for completeness, legibility and ability to be further assessed.

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. For Processing, Cultivation, and Sale for Medical Purposes Licence applications there is a 30-day service standard for completion of screening of the application by Health Canada. Application screening cannot take place until Health Canada receives the site evidence package. The 30-day service standard will commence upon receipt of the complete application submission.

The Initial Screening includes an assessment of:

the site evidence package;  
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 has prepared 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.

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 has notified local officials in formal correspondence.

## 2. Review and Security Clearance

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 enough 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. Pre-Licensing and Approval

In this step Health Canada confirms that the requirements of the Cannabis Act have been met, and the applicant successfully completes the Review and Security Clearance stage. Following the review of this information, an on-site pre-licence inspection by Health Canada inspectors may be deemed necessary prior to further licensing decisions. If an inspection is required, the inspection team will contact the applicant to schedule the pre-licence inspection. In the case where an on-site pre-licence inspection is not required, the licence issuance will be based on the thoroughness of information submitted to Health Canada

Prior to issuance of the receipt for the final prospectus, the Issuer will have the funds available to establish the initial 5-acre Enoch Facility and cover its working capital needs including license application needs for 12 months as well as have \$100,000 in unallocated capital. Additional financing after the first year of operations to accelerate the expansion of the 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. Issuance of License to Sell

Once all information has been reviewed, including the results and observations from a pre-licence inspection, if necessary, and all security clearances have been granted, an initial licence for authorized activities is issued. A hard copy of the licence as well as an accompanying issuance letter detailing any conditions around the issued licence is mailed to the identified mailing address. In addition, all security-cleared key personnel are sent letters regarding the status of their security clearances for that site, under that application. Following issuance of the licence, Health Canada holds a teleconference with the new licence holder to discuss the licence, including any conditions. Immediately after issuance of their licence, licence holders will generally be permitted to sell cannabis, as authorized by their licence as set out in the Cannabis Regulations and in accordance with any licence conditions. Cultivation and processing licence holders will generally be restricted to the sale of cannabis products that are cannabis plants and seeds to a holder of a licence for sale, and a person authorized to sell cannabis under a provincial Act by reason of subsection 69(1) of the Cannabis Act. The sale of cannabis products of all other cannabis classes will usually be restricted by a condition placed on the licence.

#### Licensing Approval Timeline

Licensing Approval Step	Q4 2019	Q1 2020	Q2 2020
Application Screening			
Review and Security Clearance			
Pre-Licensing and Approval			
Issuance of License			

**As at the 3-month period ended March 31, 2019 the Issuer has capitalized \$303,015 of development expenses for acquisition of land and the license application.**

#### 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 Enoch Facilities**

The contents of Alta-Sun's submissions to Health Canada includes 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 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 applicant is licensed.

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 Enoch Facility is expected to harvest mature cannabis, sold fresh to other licensed producers for extraction. As the harvest from the Enoch Facility will only happen in the fall of each year, it would not be cost effective for the issuer to establish its own extraction facility, which would sit idle for most of the year. (See "*Alberta Cultivation*")

### **Canadian Cannabis Market Environment**

Prior to October 17, 2018, the only legal way to purchase cannabis in Canada was by mail order from a LP for medical use. The only medicinal products that Licensed Producers sold were dried leaf and oils. The Cannabis Act became law on October 17, 2018, cannabis may now be purchased for recreational use in Canada. Also, the Canadian government has restricted the sale of cannabis infused edibles and concentrates 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.

"The next stage of cannabis legalization in Canada is expected to create a consumer market for edibles and other alternative cannabis products worth more than C\$2.5 billion a year and generate higher profits



for retailers than cannabis products that are already legal” (Deloitte’s annual report on Canada’s cannabis industry, June 2019).

### *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, Cannabis may be purchased for medical or recreational use. There is no legal way to purchase cannabis infused products or cannabis concentrates 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 legalized recreational use of cannabis on October 17, 2018
- Bill C45 to legalize recreational use of cannabis is in force
- In bill C45 an individual may possess 30 grams of dried leaf or equivalent
- The initial expected date for the legalization of Cannabis infused products was July 1, 2019

### 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 most 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.
- As of February 1<sup>st</sup> 2019 only one government owned and operated retail outlet of cannabis is open in BC, and few private outlets have been licensed, as well product is in short supply.

## **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 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 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. Alta-Sun does not intend to develop any 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 Issuer's 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. The Issuer has not entered into any Off -Take agreements.

## **Economic Dependence**

As the Issuer's strategy is to initially operate as virtually as possible, 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 and construction upon which its business depends. The issuer contracted with Cannabis Compliance Inc. to assist the Issuer in assembling its application under the Cannabis Act, developing standard operating procedures, designing security protocols as well as designing the processing building and perimeter fencing specifications. The Issuer plans to continue to use the services of CCI on an as needed basis thru the application process.

In addition, the Issuer contracted Shenyang to:

- Assist in identifying suitable sites 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.

The Issuer will continue to use Shenyang's services to supplement directors and managements skills on an as needed basis.

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 Enoch 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 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, 2018, December 31, 2017, and December 31, 2016 the Issuer had the following number of employees and contractors:

Location	Full Time Employees			Contractors		
	2018	2017	2016	2018	2017	2016
Vancouver, British Columbia	1	Nil	Nil	1	2	1
Edmonton, Alberta	Nil	Nil	Nil	2	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 Enoch Facility:

Development Activity	2019			2020		Budget
	Q2	Q3	Q4	Q1	Q2	
Establish Fence						\$ 90,000
Land Survey/Architecure / construction drawings						\$ 20,000
Install and set-up Administration Building						\$ 20,000
Final Quotations on Construction						\$ 5,000
Construction of Processing Building						\$ 300,000
Installation of Security Systems						\$ 120,000
Submitt License Application						\$ 14,855
Submitt evidence package to Health						\$ 20,000
Receive Initial Licence for Authorized Activities						\$Nil

## 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 enough land, water, natural gas and electricity generation capabilities to contribute to the low-cost production of cannabis in Canada. The licensing process may take 6 to 12 months or more once a completed application is submitted 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 cost to establish and license the Enoch Facility is estimated at \$589,855.

After the first year of operations, if the Issuer decides to expand its facility, it may need to raise additional capital. 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

The Issuer has entered into lines of credit, where each lender has agreed to lend the Issuer up to \$300,000 See “*Material Contracts*”. The principal on the lines of credit is not due until March 15, 2022. The interest rate on the borrowed funds is 12% per year, no interest is payable for 365 days from when the Issuer receives its license to grow cannabis or at maturity, March 15, 2022. None of the capital may be drawn down until:

- The Issuer has filed an application to grow cannabis under the Cannabis Act;
- The Issuer has received a conditional listing from the CSE;
- The Issuer has received a receipt for a final prospectus from the British Columbia Securities Commission; and
- The Issuer has completed a financing of at least \$300,000 within 30 days prior to the request for an advance under this agreement.

As at May 30, 2019 the Issuer had a working capital deficit of 258,535

The Issuer anticipates using its available funds to construct its grow out facilities under the Cannabis Act to grow cannabis at the Enoch Site and for working capital.

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

Construction Costs	
Site preparation & Fencing	95,000
Renovate and Equip administration building	20,000
Construct and equip Processing building	320,000
Software & Hardware	120,000
Operating Expense	
General & Administration <sup>(1)</sup>	464,855
Lease Payments	1,000
CSE Listing Fees	15,500
Interest	7,920
Unallocated Available Funds	100,000

Total	1,144,275

- (2) General & administration expenses are for 12 months and include: accounting fees (\$ 8,800), audit fees (\$10,000), bank charges (\$1,200), Consulting Fees (261,000), License Application fees (14,855), 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) 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 complete the Cannabis Act application process, design all aspects of the cannabis growing facilities, or build the facilities the Issuer will contracted consultants and contractors for various services;
  - b. Cannabis Compliance Inc. (“CCI”) has been contracted to assist with the application for a standard cultivation license under Bill C45 rules and regulations at a cost of \$125,000 of which 100% has already been paid;
  - c. CCI was contracted to develop standard operating procedures and security systems for the Enoch Facility, these procedures are complete and ready for submission to HC;
  - d. The Issuer anticipates using CCI to assist with the ongoing process of attaining the standard cultivation license;
  - e. Shenyang and Tsingtao Investments Inc. whose principals have expertise in cannabis cultivation, greenhouse design, operations and economics have been used to supplement CCI in preparing the standard cultivation license application
  - f. The Issuer may continue to use Shenyang to;
    - i. Assist in identifying additional suitable sites in Alberta, based upon site climate and light data;

- ii. Prepare a site layout, pro forma financial projections and any other information required for future proposed facilities on the identified property for the purpose of applications under the Cannabis Act.;
  - iii. Provide a recommended design including operating specifications suitable to for an outdoor Cannabis growing operation.
  - iv. Work with architects and engineers on design and systems.
  - v. Conduct an operational and financial feasibility study for future identified properties in collaboration with project partners and financial planning resources.
- 2) Work with Cannabis Compliance Inc. and Health Canada to advance the Issuer’s licensing application for the Enoch Facility. Consultants estimate the time to receive a license once the evidence package has been submitted as 6 months.
- 3) Enter into agreement for extraction:
  - a. Research and Short list possible partners;
  - b. Negotiation of Off-Take agreement;
  - c. Finalize documentation.
- 4) Obtain necessary permits, Band Council Resolutions for construction and operation of the Enoch Facility.
- 5) Enter into contract for design and build of Processing building.
- 6) Complete final design of Enoch Facility.
- 7) Install perimeter fencing and Infrastructure.
- 8) Establish and equip the administration building.
- 9) Construct processing building.
- 10) Finish interior of Processing building.
- 11) Submission of application and Evidence Package to Health Canada
- 12) Receive licence under the Cannabis Act

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 period ended March 31, 2018, the years ended December 31, 2018 and December 31, 2017 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 12,619,340 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 ratably 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 1,025,000 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, 2018 (audited)	Amount outstanding as of March 31, 2019 (unaudited)	Amount outstanding as of the date of this Prospectus (unaudited)
Common Shares	Unlimited	11,083,340 <sup>(1)(3)</sup>	11,083,340 <sup>(1)(3)</sup>	12,619,340 <sup>(1)(2)(3)</sup>

- (1) See “Prior Sales”
- (2) An additional NNN shares have been approved for issuance by the Issuers board but not yet issued.
- (3) 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 other than the entering into the Line of Credit agreements. No funds have been advanced under the Line of Credit agreements as of the date of this prospectus.

### Fully Diluted Share Capitalization

Common Shares	Number of Shares	Percentage
Issued and outstanding as at the date of the Prospectus	12,619,340	80.78
Common Shares reserved for issuance upon exercise of Warrants	1,976,691	12.65
Common Shares reserved for issuance upon exercise of the options	1,025,000	6.56
Common Shares approved for issuance but not yet issued		
<b>Total Fully Diluted Share Capitalization</b>	<b>15,621,031</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 an exercise price of \$0.10 and expiring on dates ranging from October 31, 2021 to September 21, 2022, as well the Issuer has granted options to purchase up to 340,000 Common Shares at an exercise price of \$0.25, expiring on October 17, 2023. 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
	140,000	\$0.25	October 17, 2023

Robert G. Charlton (CFO, Director)	25,000	\$0.10	October 31, 2021
	40,000	\$0.10	July 10, 2022
	50,000	\$0.10	September 21, 2022
	40,000	\$0.25	October 17, 2023
Directors (who are not also Officers)			
Derick G. Sinclair (Director)	25,000	\$0.10	October 31, 2021
	40,000	\$0.10	July 10, 2022
	50,000	\$0.10	September 21, 2022
	40,000	\$0.25	October 17, 2023
Mark van der Horst (Director)	60,000	\$0.10	July 10, 2022
	50,000	\$0.10	September 21, 2022
	40,000	\$0.25	October 17, 2023
Harold Forzley (Director)	40,000	\$0.25	October 17, 2023
Consultants			
Monita Farris (Consultant)	25,000	\$0.10	May 1, 2022
John Lyons (Consultant)	20,000	\$0.25	October 17, 2023
Andrew Morin (Consultant)	20,000	0.25	February 21, 2023
<b>Total Options</b>	1,025,000		

### 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 November 9, 2018.

## 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.

<b>Date</b>	<b>Description of Securities</b>	<b>Number of Securities<sup>(1)</sup></b>	<b>Issue price per security(\$)</b>	<b>Compensation</b>
May 28, 2019	Common Shares	252,000	0.25	Cash
April 26, 2019	Common Shares	20,000	0.25 <sup>(4)</sup>	Cash
April 26, 2019	Common Shares	20,000	0.25	Cash
April 26, 2019 <sup>(5)</sup>	Common shares	740,000	0.25	Debt Settlement
April 26, 2019 <sup>(3)</sup>	Common Shares	500,000	0.25	Debt Settlement
April 12, 2018	Units	2,832,000	0.25	Cash
April 12, 2018 <sup>(2)</sup>	Units	396,716	0.25	Cash

- (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".
- (3) Common shares issued at a deemed value of \$0.25 to settle administration fee paid to lenders of lines of credit. See "Material Contracts".
- (4) Issued for cash to Doug Unwin the Issuer's President & CEO
- (5) Common shares issued to creditors at a deemed value of \$0.25

## ESCROWED SECURITIES

### Escrowed Securities

<b>Designation of class</b>	<b>Number of securities held in escrow</b>	<b>Percentage of class</b>
Common Shares	3,052,353	24.19% <sup>(1)</sup>

- (1) The Escrowed Common Shares will represent 24.19% 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 3,052,353 Common Shares representing 24.19% 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:

<b>Name and Municipality of Residence</b>	<b>Common Shares</b>	<b>Number of Common Shares held in Escrow <sup>(1)</sup></b>	<b>Percentage of Common Shares <sup>(3)</sup></b>
Douglas H. Unwin North Vancouver	881,287	811,287	6.98
Donna Armstrong North Vancouver <sup>(2)</sup>	83,327	83,327	0.66
Derick G. Sinclair North Vancouver	694,139	624,139	5.05
Robert G. Charlton North Vancouver	823,600	698,600	6.53
Mark van der Horst North Vancouver	570,000	500,000	4.52
Harold Forzley Gibsons Landing, BC	Nil	Nil	Nil
<b>Total</b>	<b>3,052,353</b>	<b>3,052,353</b>	<b>24.19%</b>

- (1) 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 12,619,340 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, 24.19% 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
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 most 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, 53, 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, 66, 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. Mr. Forzely expects to devote approximately 5% of his time to the business of the Issuer.

### 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 Corp. (formerly Pacific Therapeutics Ltd.)	CSE	CFO/Director	October 2008 – 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, 3,052,353 Common Shares representing 24.19% 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	2018	94,850	Nil	Nil	Nil	45,070	139,920
	2017	47,250	Nil	Nil	Nil	13,965	61,215
	2016	Nil	Nil	Nil	Nil	3	3
Derick G. Sinclair <sup>(3)</sup> , Director	2018	Nil	Nil	Nil	Nil	7,520	7,520
	2017	Nil	Nil	Nil	Nil	4,289	4,289
	2016	Nil	Nil	Nil	Nil	1	1
Robert G. Charlton <sup>(3)</sup> , CFO, Director	2018	25,000	Nil	Nil	Nil	7,520	32,520
	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	2018	79,716	Nil	Nil	Nil	7,520	87,236
	2017	Nil	Nil	Nil	Nil	4,938	4,938
	2016	Nil	Nil	Nil	Nil	Nil	Nil
Harold Forzley <sup>(6)</sup> , Director	2018	Nil	Nil	Nil	Nil	7,520	7,520
	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 2018, includes \$17,000 (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, 2018 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, 320,000 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>(2)</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, Director	Stock Options	140,000 (1.11%)	10/17/2018	0.25	N/A	N/A	10/17/2023
Derick G. Sinclair, Director	Stock Options	40,000 (0.32)	10/17/2018	0.25	N/A	N/A	10/17/2023
Robert G. Charlton, CFO, Director	Stock Options	40,000 (0.32)	10/17/2018	0.25	N/A	N/A	10/17/2023
Mark van der Horst, Director	Stock Options	40,000 (0.32)	10/17/2018	0.25	N/A	N/A	10/17/2023
Harold Forzley	Stock Options	40,000 (0.32)	10/17/2018	0.25	N/A	N/A	10/17/2023

(1) The Common Shares of the Issuer are not listed on any stock exchange.

(2) Based on 12,619,340 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, 2018.

## **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 most 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:

<b>Name of Director</b>	<b>Name of Reporting Company</b>	<b>Exchange</b>	<b>Position</b>	<b>Period</b>
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 Harold Forzley. Messrs. Sinclair and Forzely 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.

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

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. Mr. Forzley expects to devote approximately 5% of his time to the business of the Issuer.

### **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, 2018	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>	13,125	\$5,250	\$5,659
Audit Related Fees <sup>(2)</sup>		-	-
Tax Fees <sup>(3)</sup>		-	-
All Other Fees <sup>(4)</sup>		-	-
Total	13,125	\$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 prepared a standard cultivation license application under the cannabis act, it will not submit the application until its facility is built and an Evidence Package has been prepared. 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 Enoch Facility. A growing facility needs to be constructed and operational prior to the Issuer submitting an evidence package to Health Canada. The Issuer may encounter delays in the design and construction and increase expenses required to get the Enoch Facility licensed and operational. If the Issuer is unable to complete construction and achieve and sustain profitability, the market price of its Common Shares may significantly decrease.

### **Lack of Extraction Facility**

The issuer does not plan to build its own extraction facility as it is only required for a few weeks out of the year. Instead the Issuer plans to ship its mature fresh cannabis to another LP or extraction facility for extraction. The Issuer may not be able to enter into contracts for such services. If the Issuer is unable to enter into a contract for extraction of oils from its cannabis it will need to build its own extraction facility. If the issuer needs to build its own extraction 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 able to raise additional funds it may cause dilution to existing shareholders or if the Issuer is unable to raise the funds it may not achieve profitability. Both scenarios may cause the Issuers share price to 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 an off-take agreement. If the Issuer is unable to enter into an 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 several 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 Enoch 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 Enoch First Nations and CP Land holder;
- delays in gaining support from the Enoch FN
- Delays in getting the land lease at Enoch FN approved by the Minister of Crown-Indigenous Relations and Northern Affairs
- labour disputes, disruptions or declines in productivity; inability to attract enough 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 Enoch 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 Enoch 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.

### **Enoch Facility**

The Enoch Facility is expected to be integral to the Issuer's business and adverse changes or developments affecting the Enoch Facility may impact the Issuer's business, financial condition and results of operations. The Issuer's activities and resources are currently focused on the Enoch Facility. The Cannabis Act License application will be specific to the Enoch Facility. Adverse changes or developments affecting the Enoch 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 Standard Cultivator 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 Enoch Facility License. If the Issuer is unable to secure the Enoch 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 Enoch Facility, howsoever caused, could have a material adverse effect on the Issuer's business, financial condition and results of operations.

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

The Issuer does not have an agreement with the Enoch FN to supply employees although the Issuer intends to give a preference to Enoch FN members. If the Issuer is not able to hire Enoch FN band members it may not be able to staff the Enoch Facility. This situation may prevent the Enoch 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 Enoch Facility and the Issuer expects to continue to be focused on licensing and development of the Enoch 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 Seedling Supplier**

The Issuer is dependent on Propagation Services Canada ("PSC") to supply seedlings to grow out to flower. If PSC is unable to supply seedlings when the Issuer needs them, then the Issuer may not be able to grow a crop in its first year, delaying the Issuer achieving profitability. If the Issuer is unable to achieve and sustain profitability, it may be forced to raise additional capital and the market price of its Common Shares may significantly decrease.

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

The Issuer is dependent upon receipt of a Standard Cultivation License under the Cannabis Act for its ability to grow, store and sell medical and or recreational 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 Cannabis act became law on October 17, 2018. 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 enough to fund operations to complete the Cannabis Act licensing application process, establish the 5-acre Enoch Facility 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 potential additional Enoch Facilities. The inability of the Issuer to access enough 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 Enoch 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 24.19% 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 cannabis and cannabis-based products, the Issuer must enter into collaborations with partners for extraction as well as, 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 Cannabis Cultivation**

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 or 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 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 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 Enoch Facility 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 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 enough additional employees or engineering, cultivation, logistics 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**

The Issuer will initially operate as virtually as possible contracting expertise as needed. Once the Issuer has received its license and is approaching the planting of its first crop, additional staff may be hired, however, 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 enough 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, cannabis cultivation and propagation, 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.

## **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 outdoor cultivation of cannabis in Alberta includes risks inherent in an agricultural business including the risk of crop loss, hailstorms, unexpected freezing temperatures, other 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. There can be no assurance that natural elements will not have a material adverse effect on any such future production. A crop loss would have a negative effect on the Issuer's cash flow and profits, possibly forcing the Issuer to seek additional capital. Crop failure may delay the Issuer's 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.

## **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. 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 like 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 medical product candidates may be 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 Enoch 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 several 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 9,566,987 of the Issuer's Common Shares, representing a fully-diluted interest of approximately 75.81%. 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 964,614 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 7.64% 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 and granted options to purchase 140,000 shares of the Issuer at a price of \$0.25 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) Asset Purchase Agreement between Tower One and ForwoRx dated July 23, 2015
- (d) The issuers Stock Option Plan approved, November 9, 2018
- (e) Lease for 5 Acres of CP land at Enoch Cree Nation, Nov. 16, 2018
- (f) Amended lease for 5 acres of CP land at Enoch Cree Nation, March 31, 2019
- (g) Lines of credit, March 31, 2019
- (h) Propagation Services Canada agreement,

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, 2018, December 31, 2017 and from incorporation to 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 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 three months ended March 31, 2019 and audited financial statements for the years ended December 31, 2018 and December 31, 2017, and for the period from incorporation to December 31, 2016.

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

**CABBAY HOLDINGS CORP.**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(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.

### **Opinion**

I have audited the consolidated financial statements of Cabbay Holdings (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Material Uncertainty Related to Going Concern**

I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$487,581 during the year ended December 31, 2018 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$1,147,167 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

## **Other Information**

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from



error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditor's report is Sam S. Mah, CPA, CA.

**"Sam S. Mah Inc."**

Chartered Professional Accountant

Suite 2001 – 1177 West Hastings Street  
Vancouver, BC, Canada V6E 2K3  
April 30, 2019

**CABBAY HOLDINGS CORP.**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	As at December 31, 2018	As at December 31, 2017
<b>ASSETS</b>		
Current		
Cash	\$ 40,250	\$ 49,752
Advances	18,044	3,053
GST receivable	23,889	-
Prepaid expenses	12,000	-
Subscriptions receivable	-	200
	<u>94,183</u>	<u>53,005</u>
Non-Current		
Other receivable (Note 5)	1	1
Property, plant and equipment (Note 6, Note 9)	10,840	1,408
Intangible assets (Note 7)	259,050	-
	<u>364,074</u>	<u>54,414</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	60,741	21,758
Loans payable (Note 8)	93,638	37,639
Due to related parties (Note 10)	12,553	6,441
Lease liability (Note 9)	1,000	-
	<u>167,932</u>	<u>65,838</u>
Non-Current		
Loans payable (Note 8)	-	56,000
Due to related parties (Note 10)	-	95,203
	<u>167,932</u>	<u>217,041</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 11)	1,184,675	442,041
Subscriptions received (Note 11)	1,000	-
Contributed surplus (Note 10, Note 11)	154,116	54,918
Deficit	(1,143,649)	(659,586)
Total equity (deficiency)	<u>196,142</u>	<u>(162,627)</u>
	<u>\$ 364,074</u>	<u>\$ 54,414</u>

**Nature and continuance of operations (Note 1)****Subsequent events (Note 18)****Approved by the directors:**“Doug Unwin”“Derick Sinclair”

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

(Expressed in Canadian Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
Expenses:		
Accounting and audit fees (Note 10)	\$ 29,500	\$ 16,475
Consulting fees (Note 10)	151,174	58,050
Depreciation (Note 6)	1,068	534
Interest and bank charges (Note 8, Note 10)	11,701	4,778
Legal fees	16,953	29,014
Management fees (Note 10)	94,850	47,250
Office and administration	17,137	10,300
Share-based compensation (Note 11)	60,152	27,817
Transfer agent and filing fees	16,736	13,145
Travel	15,332	14,941
Wages (Note 10)	18,750	-
Total expenses	(433,353)	(222,304)
Forgiveness of loans payable (Note 8)	-	10,750
Assumption of debt (Note 8)	(4,179)	(5,929)
Loss on conversion of long-term debt (Note 8, Note 10, Note 11)	(17,268)	-
Loss of repayment of long-term debt (Note 10)	(4,063)	-
Write-off of deposit (note 15)	(25,000)	-
Write-off of expense advances	(200)	-
Net loss and comprehensive loss for the year	\$ (484,063)	\$ (217,483)
Loss per share – Basic and diluted	\$ (0.05)	\$ (0.05)
Weighted average number of common shares outstanding	10,187,460	4,782,894

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

	Year ended December 31, 2018	Year ended December 31, 2017
<b>Operating Activities</b>		
Net loss for the year	\$ (484,063)	\$ (217,483)
Items not involving cash:		
Depreciation	1,068	534
Share-based compensation	60,152	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	25,000	-
Write-off of expense advances	200	-
	<u>(372,133)</u>	<u>(193,953)</u>
Changes in non-cash working capital item related to operations:		
Advances	(15,190)	(3,054)
GST receivable	(23,889)	-
Prepaid expenses	(37,000)	-
Subscriptions receivable	200	(200)
Accounts payable and accrued liabilities	40,071	15,362
Cash from operating activities	<u>(407,941)</u>	<u>(181,845)</u>
<b>Investing Activities</b>		
Acquisition of property, plant and equipment	(9,500)	(1,942)
Investment in ACMPR license	(259,050)	-
	<u>(268,550)</u>	<u>(1,942)</u>
<b>Financing Activities</b>		
Proceeds from issuance of common shares	681,411	218,510
Share subscriptions received	1,000	-
Assumption of loans payable	-	2,039
Change in due to related parties	(15,422)	12,902
Cash provided by financing activities	<u>666,989</u>	<u>233,451</u>
<b>Increase in cash during the year</b>	<b>(9,502)</b>	<b>49,664</b>
<b>Cash, beginning of the year</b>	<b>49,752</b>	<b>88</b>
<b>Cash, end of the year</b>	<b>\$ 40,250</b>	<b>\$ 49,752</b>

**Supplemental cash flow information (Note 16)**

**CABBAY HOLDINGS CORP.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

	<b>Number of Shares</b>	<b>Share Capital \$</b>	<b>Subscriptions Received \$</b>	<b>Contributed Surplus \$</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	3,540,499	218,510	-	-	-	218,510
Conversion of debt to shares (Note 8, Note 10)	2,934,238	222,531	-	-	-	222,531
Share-based compensation	-	-	-	27,817	-	27,817
Interest benefit on related party loans (Note 10)	-	-	-	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)
Units issued for cash	2,827,641	672,715	-	34,195	-	706,910
Conversion of debt to units (Note 8, Note 10)	401,075	95,419	-	4,850	-	100,269
Less: Share issuance costs	-	(25,500)	-	-	-	(25,500)
Subscriptions received	-	-	1,000	-	-	1,000
Share-based compensation	-	-	-	63,670	-	63,670
Loss for the year	-	-	-	-	(484,063)	(484,063)
Balance, December 31, 2018	11,083,340	1,184,675	1,000	157,633	(1,143,649)	199,659

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2018 and 2017

### **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 and its wholly owned subsidiary has leased 5 acres of land on the Enoch First Nation lands for the cultivation of cannabis. In addition, the Company holds 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 through 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.

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. Alta-Sun has leased 5 acres of Enoch First Nation’s land for cultivation of cannabis.

These consolidated 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, 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 5). The Company had a net loss for the year ended December 31, 2018 of \$484,063 (2017: \$217,483) and an accumulated deficit at December 31, 2018 of \$1,143,649 (2017: \$659,586).

# **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

The Company is subject to risks and uncertainties common to drug discovery companies, including technological change, potential infringement on intellectual property of and by third parties, new product development, regulatory approval and market acceptance of its products, activities of competitors and its limited operating history. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **2. Statement of Compliance and Basis of Presentation**

### **(a) Statement of Compliance**

These consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 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 30, 2019.

### **(b) Basis of Presentation**

These consolidated 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.

### **(c) Principles of consolidation**

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

Alta-Sun Samson Holdings Corp.	(100% owned)
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All intercompany transactions, balances, revenue and expenses are eliminated on consolidation.

## **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.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

### **3. Significant Accounting Policies (continued)**

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, but are not limited to, the following:

#### 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.

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 11.

##### *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 12).



## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

### **3. Significant Accounting Policies (continued)**

#### Judgments:

##### *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.

##### *Intangible assets*

The carrying value and recoverable amount of intangible assets.

##### *Revenue*

Collectability of the annual maintenance fee from ForwoRX, as discussed in Note 5.

##### (b) Cash and Cash Equivalents

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

##### (c) Property, plant and equipment

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

Computer equipment	55%
--------------------	-----

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

##### (d) Intangible assets

Finite life intangible assets are comprised of ACMPR licensing application and other items which are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each reporting period, and the effects of any changes are reported on a prospective basis.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

### **3. Significant Accounting Policies (continued)**

#### **(e) Impairment of non-financial assets**

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. If there is any indication the asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is measured as the higher of an asset's or cash generating unit's fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its fair value with the loss recognized in income or loss.

#### **(f) Leases**

The Company has early adopted IFRS 16, Leases. The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

#### **(g) 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.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2018 and 2017

### **3. Significant Accounting Policies (continued)**

#### **(h) 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.

#### **(i) 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.

#### **(j) 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.

#### **(k) Financial instruments**

The Company has adopted IFRS 9, Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

### **3. Significant Accounting Policies (continued)**

#### *Financial assets*

#### *Classification*

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

The Company has classified its cash at fair value through profit or loss. The company’s GST receivable, advances and subscriptions receivable are held at amortized cost.

#### *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are measurement categories under which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through OCI (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

### **3. Significant Accounting Policies (continued)**

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

#### *Impairment of Financial Assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

#### *Financial Liabilities*

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities, loans payable and due to related parties are classified as financial liabilities held at amortized cost.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements  
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### **4. Recent Accounting Pronouncements**

At the date of authorization of these financial statements, the IASB and International Financial Reporting Committee (“IFRIC”) have issued the following revised and new standards, amendments and interpretations which became effective during the year ended December 31, 2018:

#### **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. This standard has been adopted without material effect to these financial statements – See note 3(k) and 14.

- **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 financial statements.

At the date of authorization of these consolidated 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 mandatory during the year ended December 31, 2018:

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

### **4. Recent Accounting Pronouncements (continued)**

#### **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 early adopted this standard – See notes 3(f) and 9.

### **5. Asset Purchase Agreement**

Pursuant to the Plan of Arrangement (Note 1) the Company acquired rights associated with a definitive Asset Purchase Agreement between PT and ForwoRX, whereby PT transferred 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, 2018, \$150,000 in maintenance fees was due. 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  
For the years ended December 31, 2018 and 2017

### 6. Property, Plant and Equipment

Costs				
	Computers		Land	Total
Balance December 31, 2017	\$	1,942	\$ -	\$ 1,942
Additions		-	10,500	10,500
Balance December 31, 2018	\$	<b>1,942</b>	\$ <b>10,500</b>	\$ <b>12,442</b>

Accumulated Depreciation				
	Computers		Land	Total
Balance December 31, 2017	\$	534	\$ -	\$ 534
Depreciation		1,068	-	1,068
Balance December 31, 2018	\$	<b>1,602</b>	\$ -	\$ <b>1,602</b>

Net Carrying Amount				
	Computers		Land	Total
Balance December 31, 2017	\$	1,408	\$ -	\$ 1,408
Balance December 31, 2018	\$	<b>340</b>	\$ <b>10,500</b>	\$ <b>10,840</b>

The land is leased land on the Enoch Cree Nation Lands and is presented as a right-of-use asset (see Note 9).

### 7. Intangible Assets

On June 4, 2018 the Company entered into a binding agreement with Cannabis Compliance Inc. ("CCI"). CCI 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:

	December 31, 2018	
Application costs	\$	128,125
Other capitalized charges		130,925
<b>Total</b>	<b>\$</b>	<b>259,050</b>

If the above costs were not capitalized, the \$259,050 would have been expensed and increased the net loss for the year to \$743,113.



## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2018 and 2017

### 8. Loans payable

	December 31, 2018		December 31, 2017	
Loans assumed from PT	\$	35,623	\$	35,623
- Non-interest bearing with no set repayment terms				
Loan assumed from PT		58,016		58,016
- Interest rate of 1% monthly, due September 30, 2019				
	\$	93,639	\$	93,639

Loans payable consists of debt assumed by the Company in connection with the Plan of Arrangement (Note 1).

On April 4, 2018 the Company assumed an additional debt balance of \$4,179 from PT. On April 12, 2018, the entire balance was converted into 16,716 units at a conversion rate of \$0.25 per unit pursuant to a private placement (Note 11).

On February 23, 2018 the CEO and director 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 11). 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 year ended December, 2018 was \$6,720 (2017: \$2,016). Interest accrued at December 31, 2018, is \$2,016 (2017: \$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 in loans payable 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.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2018 and 2017

### 9. Lease liability

On November 16, 2018, the Company entered into a 24-month lease agreement to lease 5 acres of land on the Enoch Cree Nation Lands to use for cultivation, possession, production, sale and delivery of cannabis products. The lease payments are \$1,000 at the beginning of each year and an additional \$1,000 on signing of the lease agreement, for total payments of \$3,000. In addition, the Company paid finders' fees of \$7,500 in relation to the lease.

The Company has recorded this lease as a right-of-use asset and lease liability in the statement of financial position as at December 31, 2018. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The effect of discounting the lease payments using an interest rate of 12%, which is the Company's incremental borrowing rate, was negligible. The continuity of the lease liability is presented in the table below.

Balance, December 31, 2017	\$	-
Fair value, initial measurement		3,000
Lease payments		(2,000)
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>1,000</b>

### 10. Related Party Transactions

Transactions with related parties are as follows:

	December 31, 2018	December 31, 2017
Accounting fees to a director	\$ -	\$ 4,000
Accounting fees to a company controlled by a director	17,000	7,225
Consulting fees to a director	-	4,500
Consulting fees to a company controlled by a director	8,000	-
Management fees to the CEO and director	94,850	47,250
Wages to the CEO and director	18,750	-
	<b>\$ 138,600</b>	<b>\$ 62,975</b>

*Balance due to the CEO and director:*

As of December 31, 2018, the Company has \$7,971 (2017: \$2,184) classified as short-term liabilities, and \$Nil (2017: \$78,940) 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.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2018 and 2017

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

On September 20, 2017 the CEO and director signed an agreement which resulted in reclassification of \$100,000 of the payable as long-term. The debt 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 8).

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 11). The Company recorded a loss \$4,673 on the conversion related to the unamortized discount.

During the year ended December 31, 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 at December 30, 2017, the unamortized discount on the long-term debt was \$21,059 and the carrying value was \$78,940.

#### *Balance due to a family member of the CEO and director:*

As of December 31, 2018, the Company has \$Nil (2017: \$16,262) of long-term debt owing to a family member of the CEO and director. On December 18, 2017 the CEO and director 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 11). The Company recorded a loss \$3,250 on the conversion relating to the unamortized discount on the long-term debt.

#### *Other balances due to related parties:*

As of December 31, 2018, the Company has \$Nil (2017: \$1,352) owing to a director. The Company has \$4,482 (2017: \$2,625) in due to related parties and \$Nil (2017: \$2,500) 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, 2018, the Company has \$100 (2017: \$100) owing to a former director of the Company. The amounts do not bear interest and have no set terms of repayment.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements  
For the years ended December 31, 2018 and 2017

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

*Other transactions with related parties:*

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.

### **11. Share Capital**

The Company has authorized an unlimited amount of Class A common shares without par value. As at December 31, 2018 the Company has 11,083,340 (2017: 7,854,624) common shares issued and outstanding.

*During the year ended December 31, 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. Of the debt converted, 1,090 was accounts payable, \$54,179 was loans payable, and \$45,000 was due to related parties. 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 cash 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 December 31, 2018.

*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.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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.

### 11. Share Capital (continued)

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

On January 27, 2017, the Company converted \$126,027 of debt into 84,017 common shares of the company at a conversion rate of \$1.50 per common share.

#### Stock options and share based payments

As at December 31, 2018 the following stock options were outstanding and exercisable:

<u>Expiry Date</u>	<u>Exercise Price \$</u>	<u>31-Dec-18</u>
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
18-Oct-23	0.25	320,000

*During the year ended December 31, 2018:*

On October 18, 2018, the Company issued 320,000 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 with immediate vesting. The options were assigned a value of \$60,152 using the Black-Scholes pricing model.

*During the year ended December 31, 2017:*

On September 21, 2017, the Company issued 220,000 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 value of \$16,460 using the Black-Scholes pricing model.

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.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements  
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### 11. Share Capital (continued)

The options outstanding and exercisable as at December 31, 2018 have a weighted average remaining contractual life of 3.89 years (2017: 4.5 years). Stock option activity was as follows:

	Options outstanding	Exercise Price \$
<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</b>	685,000	0.10
Issued	320,000	0.25
<b>Balance, December 31, 2018</b>	1,005,000	0.15

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 Option Pricing Model were:

	December 31, 2018	December 31, 2017
Expected volatility	100%	100%
Risk free interest rate	1.95%	1.10% - 1.81%
Expected life in years	5 years	5 years
Grant date fair value per share	\$0.25	\$0.025 - \$0.10
Forfeiture rate	0.00%	0.00%

### Warrants

As at December 31, 2018 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price \$	31-Dec-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

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements  
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### 11. Share Capital (continued)

*During the year ended December 31, 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 year ended December 31, 2017:*

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

The warrants outstanding and exercisable as at December 31, 2018 have a weighted average remaining contractual life of 1.2 years (2017: 1.8 years). Warrant activity was as follows:

	<b>Options outstanding</b>	<b>Exercise Price \$</b>
<b>Balance, December 31, 2016 and 2017</b>	362,333	\$3.00
Issued	1,614,358	\$0.35
<b>Balance, December 31, 2018</b>	1,976,691	\$0.84

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:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
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>	-

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements  
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### 12. Income Taxes

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

	2018	2017
	\$	\$
Income (loss) for the year	(484,063)	(217,483)
Expected income tax (recovery)	(125,856)	(56,546)
Permanent and other differences	28,426	8,774
Change in benefit not recognized	97,430	47,772
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.

	2018	2017
	\$	\$
Deferred tax assets (liabilities)		
Non-capital loss carry forwards	148,536	51,105
Capital loss carry forwards	3,250	-
Financing and other	3,251	139
Unrecognized deferred tax assets	155,037	51,244

The Company has non-capital losses of \$571,291 (2017: \$196,560) and capital losses of \$25,000 (2017: \$Nil). The non-capital losses, if unused, will expire as follows:

	\$
2036	6,709
2037	189,851
2038	374,731
	571,291



## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements  
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### **13. 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.

### **14. Financial Instruments and Risk**

As at December 31, 2018, the Company's financial instruments consist of cash, advances, GST 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. 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 \$60,741 (2017: \$21,758) in accounts payable and accrued liabilities, \$93,639 (2017: \$37,639) in short-term loans payable, \$Nil (2017: \$56,000) in long-term loans payable, \$12,553 (2017: \$6,441) in short-term due to related parties, \$Nil (2017: \$95,203) in long-term due to related parties, and \$1,000 (2017: \$Nil) in lease liabilities. 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.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements  
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### 14. Financial Instruments and Risk (continued)

#### 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
	\$	\$	\$
<b>December 31, 2017</b>			
Cash	49,472	-	49,472
Loans payable	-	56,000	56,000
Due to related parties	-	95,203	95,203
	49,472	151,203	200,675
<b>December 31, 2018</b>			
Cash	40,250	-	40,250
	40,250	-	40,250

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, 2018, the Company believes that the carrying values of its cash, advances, GST receivable, subscriptions receivable, accounts payable and accrued liabilities, short-term due to related parties, short-term loans payable, and lease liability approximate their fair values because of their nature and relatively short maturity dates or durations.

## Cabbay Holdings Corp.

Notes to the Consolidated Financial Statements  
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### 15. Agreement

On February 21, 2018, the Company 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 Company, through 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 had committed to making an initial lease payment of \$40,000 on signing of the lease. The lease has not been signed.

On November 21, 2018, the agreement was terminated. The Company wrote-off deposits in the amount of \$25,000 made towards the lease.

### 16. Supplemental Cash Flow Information

	2018	2017
Cash paid for interest	\$6,720	-
Cash paid for income taxes	-	-

Investing and financing activities that do not have an impact on current cash flows are excluded from the statements of cash flow.

Significant non-cash investing and financing transactions for the year ended December 31, 2018 are as follows:

- Converted due to related parties totaling \$50,000 (present value: \$40,655) to loans payable (Note 8, Note 10).
- Converted loans payable totaling \$54,179 (present value: \$44,834) into 216,716 common shares (Note 8, Note 11).
- Converted due to related parties totaling \$45,000 (present value: \$37,076) into 180,000 common shares (Note 10, Note 11).
- Converted accounts payable totaling \$1,090 into 4,359 common shares (Note 11).

Significant non-cash investing and financing transactions for the year ended December 31, 2017 are as follows:

- Converted 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.
- Converted due to related party balances totaling \$50,000 into 2,000,000 shares at \$0.025 per share, balances totaling \$5,928 into 118,560 shares at \$0.05 per share, and balances totaling \$14,486 into 144,860 shares at \$0.10 per share.
- Recorded Interest benefits of \$27,096 on reclassification of related party loans as long-term recorded under equity reserves.

## **Cabbay Holdings Corp.**

Notes to the Consolidated Financial Statements  
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### **18. Subsequent Events**

Subsequent to December 31, 2018:

The Company entered into agreements to access lines of credit of up to \$1.2 million. An administration fee of 500,000 shares is to be paid to the lenders.

On April 26, 2019 the Company issued 1,280,000 shares at 0.25 per share. 238,000 of these shares were issued to settle \$59,500 owed to directors and officers.

**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**

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**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"*

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*"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	<u>(222,304)</u>	<u>(12,403)</u>
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	<u>\$ (217,483)</u>	<u>\$ (442,103)</u>
Earnings (loss) per share – Basic and diluted	<u>\$ (0.05)</u>	<u>\$ (1.08)</u>
Weighted average number of common shares outstanding	<u>4,782,894</u>	<u>409,367</u>

**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>	<b>49,664</b>	<b>88</b>
<b>Cash, beginning of the year</b>	<b>88</b>	<b>-</b>
<b>Cash, end of the year</b>	<b>\$ 49,752</b>	<b>\$ 88</b>

**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.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2019 and 2018

(Unaudited – Prepared by Management)

**Cabbay Holdings Corp.**

**Condensed Consolidated Interim Financial Statements**

**Period ended March 31, 2019 and 2018**

(Unaudited - prepared by management)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the consolidated interim financial statements for the period ended March 31, 2019.

**CABBAY HOLDINGS CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	As at March 31, 2019	As at December 31, 2018
<b>ASSETS</b>		
Current		
Cash	\$ 6,999	\$ 40,250
Advances	18,044	18,044
GST receivable	27,201	23,889
Prepaid expenses	2,000	12,000
	<u>54,244</u>	<u>94,183</u>
Non-Current		
Other receivable (Note 4)	1	1
Property, plant and equipment (Note 5, Note 8)	10,573	10,840
Intangible assets (Note 6)	303,015	259,050
	<u>367,833</u>	<u>364,074</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	72,302	60,741
Loans payable (Note 7)	93,638	93,638
Due to related parties (Note 9)	45,484	12,553
Lease liability (Note 8)	1,000	1,000
	<u>212,424</u>	<u>167,932</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 10)	1,184,675	1,184,675
Subscriptions received (Note 9, Note 10, Note 11)	143,500	1,000
Contributed surplus (Note 9, Note 10)	154,116	154,116
Deficit	(1,326,882)	(1,143,649)
Total equity	<u>155,409</u>	<u>196,142</u>
	<u>\$ 367,833</u>	<u>\$ 364,074</u>

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

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"Doug Unwin"

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"Derick Sinclair"

**CABBAY HOLDINGS CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Expenses:		
Accounting and audit fees (Note 9)	\$ 3,500	\$ 16,000
Consulting fees (Note 9)	18,000	27,750
Depreciation (Note 5)	267	267
Finance fee (Note 11)	125,000	-
Interest and bank charges (Note 7)	2,175	4,700
Legal fees	-	1,057
Management fees (Note 9)	24,000	22,850
Office and administration	1,009	4,823
Transfer agent and filing fees	880	1,323
Travel	902	4,423
Wages (Note 9)	7,500	-
Net loss and comprehensive loss for the period	<u>\$ (183,233)</u>	<u>\$ (83,193)</u>
Loss per share – Basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>11,083,340</u>	<u>7,854,624</u>



**CABBAY HOLDINGS CORP.**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Operating Activities</b>		
Net loss for the period	\$ (183,233)	\$ (83,193)
Items not involving cash:		
Depreciation	267	267
Finance fee payable in shares	125,000	-
	<u>(57,966)</u>	<u>(82,926)</u>
Changes in non-cash working capital item related to operations:		
Advances	-	(20,768)
GST receivable	(3,312)	(2,804)
Prepaid expenses	10,000	-
Subscriptions receivable	-	200
Accounts payable and accrued liabilities	34,311	12,284
Cash from operating activities	<u>(16,967)</u>	<u>(94,014)</u>
<b>Investing Activities</b>		
Investment in ACMPR license	<u>(43,965)</u>	-
<b>Financing Activities</b>		
Share subscriptions received	5,000	163,000
Due to related parties	22,681	1,068
Cash provided by financing activities	<u>27,681</u>	<u>164,068</u>
<b>Increase in cash during the period</b>	(33,251)	70,054
<b>Cash, beginning of the period</b>	40,250	49,752
<b>Cash, end of the period</b>	<u>\$ 6,999</u>	<u>\$ 119,806</u>
<b>Cash paid for:</b>		
Interest	\$ 1,680	\$ 1,680
Income taxes	\$ -	\$ -
<b>Significant non-cash investing and financing transactions:</b>		
Conversion of due to related parties to subscriptions received (Note 9)	\$ 12,500	\$ -
Reclassification of accounts payable and accrued liabilities to due to related parties	22,749	-
Conversion of due to related party to loans payable (Note 7)	\$ -	\$ 40,655

**CABBAY HOLDINGS CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS  
OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)  
(Expressed in Canadian dollars)

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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, 2018	11,083,340	1,184,675	1,000	154,116	(1,143,649)	196,142
Subscriptions received (Note 10)	-	-	142,500	-	-	142,500
Loss for the period	-	-	-	-	(183,233)	(183,233)
Balance, March 31, 2019	11,083,340	1,184,675	143,500	154,116	(1,326,882)	155,409

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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)
Subscriptions received (Note 10)	-	-	163,000	-	-	163,000
Loss for the period	-	-	-	-	(83,193)	(83,193)
Balance, March 31, 2018	7,854,624	442,041	163,000	54,918	(742,779)	(82,820)

# **Cabbay Holdings Corp.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

## **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 and its wholly owned subsidiary has leased 5 acres of land on the Enoch First Nation lands for the cultivation of cannabis. In addition, the Company holds 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 through phase 2 clinical trials.

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 medicinal cannabis and cannabis products for recreational purposes.

On March 26, 2018, the Company incorporated a British Columbia corporation called Alta-Sun Samson Holdings Corp. (Alta-Sun). Alta-Sun will pursue the licensing, construction and operation of a cannabis growing facility. Alta-Sun has leased 5 acres of Enoch First Nation's land for the cultivation of cannabis.

These unaudited condensed 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 March 31, 2019, the Company has no source of revenue and 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 March 31, 2019 of \$183,233 (December 31, 2018: \$484,063) and an accumulated deficit at March 31, 2019 of \$1,326,882 (December 31, 2018: \$1,143,649).

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 unaudited condensed consolidated interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **Cabbay Holdings Corp.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### **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 condensed 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, 2018.

#### (b) 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, but are not limited to, the following:

#### 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 the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### **2. Statement of Compliance and Basis of Presentation (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 10.

#### *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.

#### Judgments:

##### *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.

##### *Intangible assets*

The carrying value and recoverable amount of intangible assets.

##### *Revenue*

Collectability of the annual maintenance fee from ForwoRX, as discussed in Note 4.

#### (c) Principles of consolidation

The unaudited condensed 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.

## **Cabbay Holdings Corp.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### **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 year ended December 31, 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 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. 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.

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 March 31, 2019:

### **3. Significant accounting policies (continued)**

#### **Became Effective for periods beginning on or after January 1, 2019**

- **IFRS 16, *Leases***

## **Cabbay Holdings Corp.**

Notes to the Condensed Consolidated Interim Financial Statements

For the period ended March 31, 2019 and 2018

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 early adopted this standard in the year ended December 31, 2018 – See Note 8.

### **4. Asset Purchase Agreement**

On October 3, 2016 the Company completed a plan of arrangement with PT. Pursuant to the plan of arrangement, 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 Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### 5. Equipment

Costs				
	Computers	Land	Total	
Balance December 31, 2017	\$ 1,942	\$ -	\$	1,942
Additions	-	10,500		10,500
Balance December 31, 2018	\$ 1,942	\$ 10,500	\$	12,442
Additions	-	-		-
Balance March 31, 2019	\$ 1,942	\$ 10,500	\$	12,442

Accumulated Depreciation				
	Computers	Land	Total	
Balance December 31, 2017	\$ 534	\$ -	\$	534
Depreciation	1,068	-		1,068
Balance December 31, 2018	\$ 1,602	\$ -	\$	1,602
Depreciation	267	-		267
Balance March 31, 2019	\$ 1,869	\$ -	\$	1,869

Net Carrying Amount				
	Computers	Land	Total	
Balance December 31, 2018	\$ 340	\$ 10,500	\$	10,840
Balance March 31, 2019	\$ 73	\$ 10,500	\$	10,573

The land is leased land on the Enoch Cree Nation Lands and is presented as a right-of-use asset (see Note 8).

### 6. Intangible assets

Costs and Net Carrying Amount	
	ACMPR License Costs
Balance December 31, 2017	\$ -
Additions	259,050
Balance December 31, 2018	\$ 259,050
Additions	43,965
Balance March 31, 2019	\$ 303,015



## Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### 6. Intangible assets (continued)

On June 4, 2018 the Company entered into a binding agreement with Cannabis Compliance Inc. (“CCI”). CCI 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:

	March 31, 2019	December 31, 2018
Application costs	\$ 128,125	\$ 128,125
Other capitalized charges	174,890	130,925
<b>Total</b>	<b>\$ 303,015</b>	<b>\$ 259,050</b>

### 7. Loans Payable

	March 31, 2019	December 31, 2018
Loans assumed from PT	\$ 35,623	\$ 35,623
- Non-interest bearing with no set repayment terms		
Loan assumed from PT	58,015	58,015
- Interest rate of 1% monthly, due September 30, 2019		
	<b>\$ 93,638</b>	<b>\$ 93,638</b>

Loans payable consists of debt assumed by the Company in connection with a Plan of Arrangement.

On April 4, 2018 the Company assumed an additional debt balance of \$4,179 from PT. On April 12, 2018, the entire balance was converted into 16,716 units at a conversion rate of \$0.25 per unit pursuant to a private placement (Note 10).

On February 23, 2018 the CEO and director 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 10). 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 Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### 7. 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 March 31, 2019 was \$1,680 (2018: \$1,680). Interest accrued at March 31, 2019, is \$2,016 (December 31, 2018: \$2,016)

### 8. Lease Liability

On November 16, 2018, the Company entered into a 24-month lease agreement to lease 5 acres of land on the Enoch Cree Nation Lands to use for cultivation, possession, production, sale and delivery of cannabis products. The lease payments are \$1,000 at the beginning of each year and an additional \$1,000 on signing of the lease agreement, for total payments of \$3,000. In addition, the Company paid finders' fees of \$7,500 in relation to the lease.

The Company has recorded this lease as a right-of-use asset and lease liability in the statement of financial position as at December 31, 2018. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The effect of discounting the lease payments using an interest rate of 12%, which is the Company's incremental borrowing rate, was negligible. The continuity of the lease liability is presented in the table below.

Balance, December 31, 2017	\$	-
Fair value, initial measurement		3,000
Lease payments		(2,000)
<b>Balance, December 31, 2018 and March 31, 2019</b>	<b>\$</b>	<b>1,000</b>

### 9. Related Party Transactions

Transactions with related parties are as follows:

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Accounting fees to a Company controlled by a director	\$ 3,500	\$ 3,500
Consulting fees to a Company controlled by a director	3,000	-
Consulting fees to a Company controlled by a director	15,000	-
Management fees to the CEO and director	24,000	22,850
Wages to the CEO and director	7,500	-
Finance fee to a director (Note 11)	31,250	-
	<b>\$ 84,250</b>	<b>\$ 26,350</b>

## **Cabbay Holdings Corp.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

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

#### *Balance due to the CEO and director:*

As of March 31, 2019, the Company has \$11,653 (December 31, 2018: \$7,971) owing to the CEO and director of the Company. The balance has no set terms of repayment and does not bear interest.

On March 15, 2019 the CEO and director signed an agreement to convert \$12,500 of debt into 50,000 shares at a price of \$0.25 per share. The amount has been classified as subscriptions received.

On September 20, 2017 the CEO and director signed an agreement which resulted in reclassification of \$100,000 of payables 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 10). The Company recorded a loss \$4,673 on the conversion related to the unamortized discount.

During the year ended December 31, 2018 the remaining long-term debt balance was paid off. The Company recorded a loss \$4,063 on repayment relating to the unamortized discount.

#### *Balance due to a family member of the CEO and director:*

On December 18, 2017 the CEO and director 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 10). The Company recorded a loss \$3,250 on the conversion relating to the unamortized discount on the long-term debt.

#### *Other balances due to related parties:*

As of March 31, 2019, the Company has \$31,250 (December 31, 2018: \$NIL) in subscriptions received from a director (Note 11). The Company has \$10,982 (December 31, 2018: \$4,482) owing to a Company controlled by the director. The amounts do not bear interest and have no set terms of repayment.

## **Cabbay Holdings Corp.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

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

As of March 31, 2019, the Company has a balance of \$22,796 (December 31, 2018: \$6,999 included in accounts payable and accrued liabilities) owing to a Company controlled by a director.

As of March 31, 2019, the Company has \$100 (December 31, 2018: \$100) owing to a former director of the Company. The amount does not bear interest and has no set terms of repayment.

### **10. Share Capital**

The Company has authorized an unlimited amount of Class A common shares without par value. As at March 31, 2019 the Company has 11,083,340 (December 31, 2018: 11,083,340) common shares issued and outstanding.

*During the period ended March 31, 2019:*

The Company collected share subscriptions totaling \$142,500. Of that amount \$5,000 is cash proceeds, \$125,000 is the administrative fee payable in shares to lenders of lines of credit (Note 11), and \$12,500 is debt converted (Note 9).

No common shares have been issued for these subscriptions as at March 31, 2019.

*During the year ended December 31, 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. Of the debt converted, 1,090 was accounts payable, \$54,179 was loans payable, and \$45,000 was due to related parties. Each unit consists of one share and one-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 cash share issuance costs of \$25,500 in connection with the private placement.

The Company collected share subscriptions totaling \$1,000. No common shares have been issued for these subscriptions as at March 31, 2019.

## Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### 10. Share Capital (continued)

#### Stock Options and Share Based Payments

As at March 31, 2019 the following stock options were outstanding and exercisable:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>31-Mar-19</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
18-Oct-23	0.25	320,000
		<b>1,005,000</b>

*During the period ended March 31, 2019:*

There was no stock option activity during the period ended March 31, 2019.

*During year ended December 31, 2018:*

On October 18, 2018, the Company issued 320,000 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 with immediate vesting. The options were assigned a value of \$60,152 using the Black-Scholes pricing model.

The options outstanding and exercisable as at March 31, 2019 have a remaining contractual life of 3.65 years (December 31, 2018: 3.89 years). Stock option activity was as follows:

	<b>Options outstanding</b>	<b>Exercise Price \$</b>
<b>Balance, December 31, 2017</b>	685,000	0.10
Issued	320,000	0.25
<b>Balance, December 31, 2018 and March 31, 2019</b>	<b>1,005,000</b>	<b>0.15</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 2019 and 2018.

## Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### 10. Share Capital (continued)

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

	March 31, 2019	December 31, 2018
Expected volatility	-	100%
Risk free interest rate	-	1.95%
Expected life in years	-	5 years
Grant date fair value per share	-	\$0.25
Forfeiture rate	-	0.00%

#### Warrants

As at March 31, 2019 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price \$	31-Mar-19
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 March 31, 2019:*

There was no warrant activity during the period ended March 31, 2019.

*During the year ended December 31, 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.

The warrants outstanding and exercisable as at March 31, 2019 have a weighted average remaining contractual life of 0.95 years (December 31, 2018: 1.2 years). Warrant activity was as follows:

	Options outstanding	Exercise Price \$
Balance, December 31, 2017	362,333	\$3.00
Issued	1,614,358	\$0.35
Balance, December 31, 2018 and March 31, 2019	1,976,691	\$0.84

## Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### 10. 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. 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:

	March 31, 2019	December 31, 2018
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%

### 11. Line of Credit

On March 15, 2019 the Company entered into agreements to access lines of credit of up to \$1.2 million with a maturity date of March 31, 2022. Any amount borrowed on the lines of credit is subject to interest at 12% annually. Interest is payable quarterly beginning 365 days from the date the Company receives a standard cultivation license from Health Canada to grow Cannabis. Interest may be paid in cash or shares at the Lender's discretion. Any amount in default will be subject to interest at 18% annually. Advances are available to the Company until March 31, 2022.

An administrative fee of 500,000 common shares valued at \$125,000 was paid to the lenders. Of this amount \$31,250 was paid to a director of the Company. At March 31, 2019 the balance is included in subscriptions received as the shares have not been issued.

As of March 31, 2019 the Company has borrowed \$NIL on the lines of credit.

### 12. 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 Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

### **13. Financial Instruments and Risk**

As at March 31, 2019, 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. The Company's financial liabilities consist of \$95,051 (December 31, 2018: \$60,741) in accounts payable and accrued liabilities, \$93,638 (December 31, 2018: \$93,638) in loans payable, \$22,735 (December 31, 2018: \$12,553) in due to related parties, and \$1,000 (December 31, 2018: \$1,000) in lease liabilities. 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 Condensed Consolidated Interim Financial Statements  
For the period ended March 31, 2019 and 2018

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

	Level 1	Level 2	Total
	\$	\$	\$
<b>December 31, 2018</b>			
Cash	40,250	-	40,250
	40,250	-	40,250
<b>March 31, 2019</b>			
Cash	6,999	-	6,999
	6,999	-	6,999

Cash is measured using level 1 fair value inputs. As at March 31, 2019, the Company believes that the carrying values of its cash, advances, accounts payable and accrued liabilities, due to related parties, loans payable, and lease liability approximate their fair values because of their nature and relatively short maturity dates or durations.

### 14. Subsequent Events

On April 26, 2019 the Company issued 1,284,000 common shares at \$0.25 per share for gross proceeds of \$321,000. Of this amount, \$125,000 (500,000 shares) was payment of the administration fee on the lines of credit (Note 11), and \$28,250 was related party debt converted.

At March 31, 2019, \$143,500 of the above proceeds was included in subscriptions received.

On May 29, 2018 the Company issued 252,000 common shares at a price of \$0.25 per share for gross proceeds of \$63,000.

## CABBAY HOLDINGS CORP.

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

For the Year Ended December 31, 2018

#### Overview

This MD&A has been prepared as of June 26, 2019 and the following information should be read in conjunction with the Issuer's audited financial statements for the period ended December 31, 2018 and the period ended December 31, 2017 together with the notes thereto. The Issuer's financial statements for the period have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

#### *Business Overview and Strategy*

Cabbay Holdings Corp. (the "Issuer" or "Company" or "Cabbay") 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 fiscal year ended December 31, 2018 \$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 \$150,000 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 MD&A, 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 transitioning into a vertically integrated corporation cultivating cannabis, manufacturing concentrates and manufacturing cannabis infused edibles and other products for medical and recreational use.

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 Enoch Facility. Alta-Sun plans to pursue the licensing, construction and operation of a cannabis growing facility on Enoch FN lands.

### ***Overall Performance***

The Issuer is focused on Cannabis production in Alberta, Canada in partnership with First Nations leaders and communities and the development of cannabis infused products. These partnerships will develop cannabis facilities 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 Enoch Cree First Nation.

The issuer plans to build a 5 acre outdoor cannabis cultivation facility on the Enoch lands.

## Corporate Highlights

During the period ended, December 31, 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 March 26, 2018 the Issuer incorporated a, wholly owned subsidiary Alta-Sun Samson Holdings Corp;
- 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 Sparklingeyes on the lease and use of the Samson FN land.
- On June 18, 2108 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.
- On September 10, 2018 the Issuer entered into an additional agreement with Rod Saddleback and Myron Sparklingeyes on the lease and use of the Samson FN land.
- On October 18, 2018 The Company issued 320,000 stock options to directors and consultants. The options expire in 5 years and have an exercise price of \$0.25.
- On November 16, 2018 the Company leased 5 acres of certificate of possession land at the Enoch first nation.
- On December 31, 2018 the all agreements with Rod Saddleback and Myron Sparklingeyes terminated.

## 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, 2018, 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 2018</b>	<b>Year Ended December, 31 2017</b>	<b>From Incorporation March 6, 2016 to December 31, 2016</b>
Total revenues	\$Nil	\$Nil	\$Nil
Expenses	(433,353)	(\$222,304)	(\$12,403)
Net Income / (Loss)	(484,063)	(\$217,483)	(\$442,103)
Basic and Diluted loss per share (Audited)	(0.05)	(\$0.05)	(\$1.08)
Weighted average shares	10,187,460	4,782,894	409,367

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

<b>Period ended</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash & Equivalents	40,250	49,752	\$88
Current Assets	94,183	53,005	\$88
Total Assets	364,074	54,414	\$89
Current liabilities	167,932	65,838	\$441,187
Non-Current liabilities	\$Nil	151,203	\$Nil
Total liabilities	167,932	217,041	\$441,187
Working Capital	(73,749)	(12,833)	\$(441,099)

### ***Revenues***

The Issuer had no revenues for the year ended December 31, 2018, or 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, 2018, \$150,000 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 to be 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 433,353 and for the year ended December 31, 2017 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, 2018 was \$11,701 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, 2018 stock-based compensation was \$60,152, 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 from the year ended 2018 compared to the year ended 2017 was due to the issuance of 320,000 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 with immediate vesting. The options were assigned a value of \$60,152 using the Black-Scholes pricing model.

The increase stock based compensation for the period ended December 31, 2017 compared the period ended December 31, 2016 was due to the issuance of 585,000 option to purchase shares issued to directors and consultants in 2017. 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, 2018	Three Months Ended September 30, 2018	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
	\$		\$	\$	\$	\$	\$	\$
<b>Total Revenues</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Income (Loss)</b>	(138,160)	(106,306)	(164,588)	(83,193)	(85,462)	(105,869)	(24,034)	(2,118)
<b>Income (Loss) per Share basic and diluted</b>	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	Nil
<b>Cash</b>	40,250	234,471	383,172	119,806	49,752	111,994	43,413	3,885
<b>Total Assets</b>	364,074	456,384	503,290	147,574	54,414	115,662	53,538	4,286
<b>Current Liabilities</b>	167,932	189,271	75,020	76,335	65,838	63,923	238,898	315,430

### *Liquidity and Capital Resources*

At December 31, 2018, the Issuer had cash and cash equivalents of \$40,250 (December 31, 2017 – \$49,752, December 31, 2016 - \$88). At December 31, 2018, the Issuer had a working capital deficit of \$73,749 (December 31, 2017 – 12,833, December 31, 2016, \$441,099) Working capital is defined as current assets less current liabilities. For the year ended 2018 compared to the year ended 2017 the increase in the working capital deficiency was due to an increase in Operating expenses from \$193,953 to \$372,133. For 2017 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, 2018 was \$407,941 (December 31, 2017, \$181,845, December 31, 2016 - \$435,702. The increase in cash utilization in 2018 was mainly due to an increase in administrative expenses.

The improvement in cash utilization in 2017 compared to 2016 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, 2018 share capital was \$11,84,675 comprising of 11,083,340 issued and outstanding Common Shares (December 31, 2017 – 442,041 – 7,854,624 common shares, December 31, 2016, - \$1,000 - 1,379,887 common shares),

Warrant and Option Reserves at December 31, 2018 was \$154,116 (December 31, 2017 - \$54,918, December 31, 2016, \$5). The increase in option reserves was due to an increase in options to consultants and directors of 320,000 options to purchase common shares.

As a result of the expenses for the period ended December 31, 2018 of \$433,353 and the assumption of debt of \$4,179 and loss on conversion of long-term debt of \$17,268 and loss on repayment of long-term debt of \$4,063, the write-off of deposit of \$25,000 and write-off of expenses advances of \$200 the deficit at December 31, 2018 increased to \$1,143,649 from \$659,586 for the period ended December 31, 2017.

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, 2018 is dependent on the asset purchase agreement with ForwoRx Therapeutics Inc. and the development of the Companies cannabis business. 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 development, 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, 2018, the Company has \$7,971 (2017: \$2,184, 2016: \$166,201) classified as short-term liabilities, and \$Nil (2017: \$78,940, 2016: \$Nil) classified as long-term liabilities owing to Doug Unwin 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 Doug Unwin 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 Doug Unwin the CEO and director assigned \$50,000 of the long-term debt to arm's-length parties.
- 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. The Company recorded a loss \$4,673 on the conversion related to the unamortized discount. During the year ended December 31, 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 at December 30, 2017, the unamortized discount on the long-term debt was \$21,059 and the carrying value was \$78,940.

- As of December 31, 2018, the Company has \$Nil (2017: \$16,262, 2016: \$Nil) of long-term debt owing to a family member of Doug Unwin the CEO and director. On December 18, 2017 Doug Unwin the CEO and director 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 December 31, 2018, the Company has \$Nil (2017: \$1,352) owing to Mark van der Horst a director. The Company has \$4,482 (2017: \$2,625) in due to related parties and \$Nil (2017: \$2,500) included in accrued liabilities owing to a Company controlled by Mark van der Horst a director. The amounts do not bear interest and have no set terms of repayment.
- As of December 31, 2018, the Company has \$100 (2017: \$100) owing to a Nick Horsley a former director of the Company. The amounts do not bear interest and have no set terms of repayment.

#### ***Fourth Quarter***

The table below sets out the unaudited quarterly results for the fourth quarter ending December 31, 2018, December 31, 2017, and December 31, 2016.

<b>Unaudited</b>	<b>Three Months Ended December 31, 2018</b>	<b>Three Months Ended December 31, 2017</b>	<b>Three Months Ended December 31, 2016</b>
	\$	\$	\$
<b>Total Revenues</b>	Nil	Nil	Nil
<b>Net Income (Loss)</b>	(138,160)	(85,462)	(441,998)
<b>Income (Loss) per Share basic and diluted</b>	\$(0.01)	\$(0.01)	Nil
<b>Cash</b>	40,250	49,752	88
<b>Total Assets</b>	364,074	54,414	89
<b>Current Liabilities</b>	167,932	65,838	441,187

The net loss in the fourth quarter of \$138,160 in 2018 increased compared to the net loss in the fourth quarter of \$85,462 in 2017. The increase was mainly due to share-based compensation issued in October of 2018. 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 decrease in general and administrative costs is anticipated over the short term, as the Issuer's business development, ACMPR application costs are expected to decrease. However construction activities and costs are expected to increase. During the fourth quarter the Issuer issued Nil common shares for total proceeds of \$Nil (Q4 2017 - \$Nil).

During the fourth quarter there were no dispositions of business segments, in addition the Issuer's business is not influenced by seasonal fluctuations as the business is developing. However once the cannabis facility is producing costs will rise during spring and summer as crops are planted and grown. While the fall and summer will be the months when crops are sold and revenue will be generated.

### ***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, 2018, 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, 2018, 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 years ended December 31, 2018, December 31, 2017, and from incorporation March 6, 2016 to December 31, 2016:

Material Costs	Year Ended December 31 2018	Year ended December 31, 2017	Period from incorporation on March 6, 2016 to December 31, 2016
Consulting fees	\$151,174	\$58,050	\$Nil
Legal fees	16,953	29,014	Nil
Management fees	94,850	47,250	Nil
Share-based compensation	60,152	27,817	5
Total Expenses	433,353	(222,304)	(12,403)
Arrangement financing fee	Nil	Nil	(435,359)
Net loss and comprehensive loss for the year	(484,063)	\$(217,483)	\$(442,103)

### ***Subsequent Events***

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

- On March 31<sup>st</sup> the Company signed an amended lease for the 5 acres at Enoch to increase the term of the lease to 10 years.

- On April 26, 2019 the Issuers board approved the issuance of 40,000 shares at \$0.25 per share for total proceeds of \$10,000. 20,000 of these shares were issued to Doug Unwin the Issuers CEO for proceeds of \$5,000.
- On April 26, 2019 the Issuers board approved the issuance of 50,000 shares at a deemed value of \$0.25 per share for the settlement of \$12,500 owed to Doug Unwin the Issuers CEO under his employment contract. On the same date the Issuers board approved the issuance of 63,000 shares at a deemed value of \$0.25 per share for the settlement of \$15,750 owed to a director, Mark van der Horst for services.
- On April 26, 2019 the Issuers board approved the issuance of 500,000 shares at a deemed value of \$0.25 per share as administrative fees for \$1,200,000 lines of credit, of this amount was 125,000 shares will be issued to Robert Charlton the Issuers CFO.
- On April 26, 2019 the issuers board approved the issue of 627,000 shares at a deemed value of \$0.25 per share to settle outstanding payables.
- On May 29, 2019 the Company issued 252,000 common shares at a price or \$0.25 per share for total proceeds of \$63,000.
- The Company entered into agreements to access lines of credit of up to \$1.2 million. An administration fee of 500,000 shares is to be paid to the lenders.

### ***Proposed Transactions***

As at the date of this Management Discussion and Analysis there are no transactions currently contemplated by the Issuer.

### ***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, 2018, the Issuer had an unlimited number of authorized common shares with 11,803,304 common shares issued and outstanding (December 31, 2017 – 7,854,887, December 31, 2017 - 1,379,887).

As at December 31, 2018 the issuer had 1,005,000 options outstanding (December 31, 2017 – 685,000, December 31, 2016 – 100,000)

As at December 31, 2018 the Company had 1,976,691 warrants outstanding. 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
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	240,000	240,000
Options expiring September 21, 2022 with an exercise price of \$0.10	220,000	220,000
Options expiring October 18, 2013 with an exercise price of \$0.25	320,000	320,000

## **CABBAY HOLDINGS CORP.**

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

**For the three Months Ended March 31, 2019**

#### **Overview**

This MD&A has been prepared as of June 27, 2019 and the following information should be read in conjunction with the Issuer's un-audited financial statements for the three months ended March 31, 2019 and the audited consolidated financial statement and accompanying notes for the year ended December 31, 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***

Cabbay Holdings Corp. (the "Issuer" or "Company" or "Cabbay") 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 fiscal year ended December 31, 2018 \$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 \$150,000 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 MD&A, 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 transitioning into a vertically integrated corporation cultivating cannabis, manufacturing concentrates and manufacturing cannabis infused edibles and other products for medical and recreational use.

On March 26, 2018, the Issuer incorporated a British Columbia corporation Alta-Sun Samson Holdings Corp. (Alta-Sun). Alta-Sun plans to pursue the licensing, construction and operation of a cannabis growing facility on Enoch FN lands. Alta-Sun is to be the developer and future operator of the Enoch Facility.

### ***Overall Performance***

The Issuer is focused on Cannabis production in Alberta, Canada in partnership with First Nations leaders and communities and the development of cannabis infused products. These partnerships will develop cannabis facilities 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 Enoch Cree First Nation.

The issuer plans to build a 5 acre outdoor cannabis cultivation facility on land it has leased on the Enoch First Nation lands.

## ***Corporate Highlights***

During the three-month period ended, March 31, 2019 the Issuer accomplished the following:

- On March 15, 2019 the Issuer signed a series of lines of credit to provide a total of \$1,200,000 of working capital. The Issuer committed to issued 500,000 common shares to the lenders to pay administration fees of \$125,000.
- On March 31<sup>st</sup> 2019 the Company signed an amended lease for the 5 acres at Enoch to increase the term of the lease to 10 years.
- On March 31, 2019 the Issuers board approved the issuance of 200,000 Shares to Andy Morin as a bonus for contracting to be the Issuers Master Grower.

## **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 ended March 31, 2019, March 31, 2018 and March 31, 2017 are presented:

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

<b>Period ended</b>	<b>Three Months Ended March 31, 2019</b>	<b>Three Months Ended March 31, 2018</b>	<b>Three Months Ended March 31, 2017</b>
Total revenues	\$Nil	\$Nil	\$Nil
Net Income / (Loss)	\$(183,233)	\$(83,193)	\$(2,118)
Basic Income/(loss) per share	\$(0.02)	\$(0.01)	\$Nil
Diluted loss per share (Unaudited)	\$(0.02)	\$(0.01)	\$Nil
Weighted average shares	11,083,340	7,854,624	1,439,360

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

<b>As At</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Cash & Equivalents	\$6,999	\$40,250	\$119,806
Current Assets	\$54,244	\$94,183	\$146,432
Total Assets	\$367,833	\$364,074	\$147,574
Current liabilities	\$212,424	\$167,932	\$76,335
Non-Current liabilities	\$Nil	\$Nil	\$154,059
Total liabilities	\$212,424	\$167,932	\$230,394
Working Capital / (deficit)	\$(158,180)	\$(73,749)	\$70,097

## **Comparison of the Quarters ending March 31, 2019, March 31, 2018 and March 31, 2017**

### ***Revenues***

The Issuer is a holding company. Its major holding is an agreement with ForwoRx Therapeutics Inc. (“ForwoRx”) (*see Business Overview and Strategy*). Under this agreement ForwoRx is to pay to the Issuer \$50,000 per year in maintenance fees. This fee for 2018, 2017 and 2016 has not been paid and the company will not recognize it as revenue until such time that management is confident of its payment. As at March 31, 2019 \$150,000 is due from ForwoRx.

During the period ended March 31, 2018 the Issuer continued its entry into the cannabis cultivation industry. As there is a long period from license application to Health Canada thru construction to a crop being ready for sale and the receipt of a license to sell cannabis, the Issuer does not anticipate revenues from this operation for the foreseeable future.

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

As at March 31, 2019 the company has capitalized \$303,015 (December 31, 2018 - \$259,050) of development expenses related to the acquisition of the Enoch facility and license application to grow cannabis at the Enoch facility.

### ***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 3 month period ended March 31, 2019 was \$183,233 (March 31, 2018 - \$83,193, March 31, 2017 - \$12,868). The increase in general and administrative costs between the period ended March 31, 2019 compared to the period ended March 31, 2018 was due to the finance fee of \$125,000 . The finance fee was due to lenders, who have supplied the company with lines of credit totaling \$1,200,000.

On March 15, 2019 the Company entered into agreements to access lines of credit of up to \$1.2 million with a maturity date of March 31, 2022. Any amount borrowed on the lines of credit is subject to interest at 12% annually. Interest is payable quarterly beginning 365 days from the date the Company receives a standard cultivation license from Health Canada to grow Cannabis. Interest may be paid in cash or shares at the Lender’s discretion. Any amount in default will be subject to interest at 18% annually. Advances are available to the Company until March 31, 2022.

An administrative fee of 500,000 common shares valued at \$125,000 was paid to the lenders. Of this amount \$31,250 was paid to a director of the Company. At March 31, 2019 the balance is included in subscriptions received as the shares have not been issued.

As of March 31, 2019 the Company has borrowed \$NIL on the lines of credit.

Accounting and audit expense decreased as the annual audit was not completed by the end of the quarter.. Consulting fees decreased due to decreased activity in acquiring land in Alberta. Interest charges decreased from \$4,700 to \$2,175 due to a decrease in long-term debt. Legal fees decreased by \$1,057 to \$Nil additional



legal fees are anticipated thru the year. Management fees increased slightly from \$22,850 to \$24,000 due to an increase compensation paid the Issuer’s President and CFO. Office and administration fees decreased in 2018 due to the general decreased activity of the Issuer in locating a suitable site and consulting fees for the standard cultivation license compared to the first quarter of 2018 . Travel expenses decreased due to the decreased land search activity in Alberta.

***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.

The balance of intangible assets increased to \$303,015 at March 31, 2019 from \$259,050 December 31, 2018 due to payments to consultants related to the Cannabis Act standard cultivation license. On June 4, 2018 the Company entered into a binding agreement with Cannabis Compliance Inc. (“CCI”). CCI 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 standard cultivation license.

Costs incurred to obtain the standard cultivation license are listed below:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Application costs	\$ 128,125	\$ 128,125
Other capitalized charges	174,890	130,925
<b>Total</b>	<b>\$ 303,015</b>	<b>\$ 259,050</b>

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

The interest expense in the 3 month period ended March 31, 2019 was \$2,175 (March 31, 2018 - \$4,700, March 31, 2017 - \$Nil). This decrease was due to the decrease in long term debt.

***Profits***

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

***Stock Based Compensation***

For the 3 month period ended March 31, 2019 stock based compensation was \$Nil (March 31, 2018 - \$Nil, March 31, 2017 - \$335).

## Selected Quarterly Information

	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018	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
	\$	\$		\$	\$	\$	\$	\$
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	(183,233)	(138,160)	(106,306)	(164,588)	(83,193)	(85,462)	(105,869)	(24,034)
Income (Loss) per Share basic and diluted	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)
Cash	6,999	40,250	234,471	383,172	119,806	49,752	111,994	43,413
Total Assets	367,833	364,074	456,384	503,290	147,574	54,414	115,662	53,538
Non-Current Liabilities	Nil	Nil	Nil	56,000	154,059	151,203	132,642	Nil

### *Liquidity and Capital Resources*

At March 31, 2019, the Issuer had cash and cash equivalents of \$6,999 (March 31, 2018 - \$119,806, March 31, 2017 - \$3,885) and a working capital deficit of \$158,180 (March 31, 2018 - \$70,097, March 31, 2017 – deficit of \$311,145). Working capital decreased by \$228,277 mostly due to expenditures on the standard cultivation license and Land acquisition expenses. Working capital is defined as current assets less current liabilities.

The Issuer’s Cash flows from financing activities for the three months ended March 31, 2018 consisted of share subscriptions received of \$5,000 and an increase of amounts owed to related parties of \$21,613. During the period ended March 31, 2018 the Company received share subscriptions of \$163,000 which added substantially to the Issuers working capital.

Cash utilized in operating activities during the three months ended March 31, 2019 was 16,967 (March 31, 2018 - \$94,014, March 31, 2017 - \$13,906). The majority of the decrease was due to a decrease in the cash operating activities for the period from \$82,926 for the period ended March 31, 2018 to \$57,966 for the period ended March 31, 2019.

At March 31, 2019 share capital was \$1,184,675 (March 31, 2018 - \$442,04, March 31, 2017 - \$127,027) comprised of 11,083,340 (March 31, 2018 - 7,854,624, March 31, 2017 - 1,463,904) issued and outstanding Common Shares.

Warrant and Option Reserves at March 31, 2019 was \$154,116 (March 31, 2018 - \$54,918, March 31, 2017 - \$340). The increase was due to the issuance of an additional 320,000 options and 1,614,358 warrants during the year ended December 31, 2018 and a change to the Black Scholes estimate inputs. No options or warrants were issued during the three month period ended March 31, 2019.

As a result of the net loss for the three months ended March 31, 2019 of \$183,233 (March 31, 2018 - \$83,193, March 31, 2017 - \$2,118) the deficit at March 31, 2019 increased to \$1,326,882 from \$1,143,649 for the year ended December 31, 2018.

At present, the Issuer's operations do not generate cash inflows and its financial success after March 31, 2019 is dependent on the asset purchase agreement with ForwoRx Therapeutics Inc. and the development of the Issuer's cannabis cultivation operations. The research and development process for drug candidates can take many years and is subject to factors that are beyond the Issuer's control. The research and development of the drug candidates are currently not being funded.

The Issuer cannot project any revenues from the cannabis operations for the foreseeable future.

In order to finance the Issuer's future administrative, development 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 licensing application and development of the Enoch facility. 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***

##### *Balance due to Douglas Unwin the CEO and director:*

As of March 31, 2019, the Company has \$11,653 (December 31, 2018: \$7,971) owing to Doug Unwin the CEO and director of the Company for services rendered. The balance has no set terms of repayment and does not bear interest.

On March 15, 2019 Doug Unwin the CEO and director signed an agreement to convert \$12,500 of debt for services as included in his employment agreement into 50,000 shares at a price of \$0.25 per share. The amount has been classified as subscriptions received.

##### *Other balances due to related parties:*

As of March 31, 2019, the Company has \$31,250 (December 31, 2018: \$NIL) in subscriptions received from Robert Charlton the issuers CFO and Director. \$31,250 is the administration fee owed to Robert Charlton for providing a line of credit to the Issuer. The Company has \$10,982 (December 31, 2018: \$4,482) owing to a Company controlled by Robert Charlton. The amounts do not bear interest and have no set terms of repayment.

As of March 31, 2019, the Company has \$100 (December 31, 2018: \$100) owing to a former director of the Company. The amount does not bear interest and has no set terms of repayment.

### ***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 three month period ended March 31, 2019, and March 31, 2018. This summary should be read in conjunction with the Issuer's unaudited financial statements for the periods ended December 31, 2018, and December 31, 2017:

	Quarter ended March 31, 2019	Quarter ended March 31, 2018
Material Costs		
Consulting fees	\$18,000	\$27,750
Legal fees	Nil	1,057
Management fees	24,000	22,850
Share-based compensation	Nil	Nil
Total Expenses	183,233	83,193
Financing Fee	125,000	Nil
Net loss and comprehensive loss for the year	\$(183,233)	\$(83,193)

### ***Subsequent Events***

- On April 26, 2019 the Issuers board approved the issuance of 40,000 shares at \$0.25 per share for total proceeds of \$10,000. 20,000 of these shares were issued to Doug Unwin the Issuers CEO for proceeds of \$5,000.
- On April 26, 2019 the Issuers board approved the issuance of 50,000 shares at a deemed value of \$0.25 per share for the settlement of \$12,500 owed to Doug Unwin the Issuers CEO as per his employment contract. On the same date the Issuers board approved the issuance of 63,000 shares at a deemed value of \$0.25 per share for the settlement of \$15,750 owed to a director, Mark van der Horst for services rendered.
- On April 26, 2019 the Issuers board approved the issuance of 500,000 shares at a deemed value of \$0.25 per share as administrative fees for \$1,200,000 lines of credit, of this amount was 125,000 shares will be issued to Robert Charlton the Issuers CFO.
- At March 31, 2019, \$143,500 of the above proceeds was included in the company's financial statements as subscriptions received.

### ***Proposed Transactions***

As at the date of this Management Discussion and Analysis there are no transactions currently contemplated by the Issuer.

### ***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 March 31, 2019, the Issuer had an unlimited number of authorized common shares with 11,803,304 common shares issued and outstanding.

As at March 31, 2019 the issuer had 1,005,000 options outstanding. The options have an exercise price ranging from \$0.10 to \$0.25

As at March 31, 2019 the Issuer had 1,976,691 warrants outstanding. Each warrant has an exercise price Ranging from 4).35 to \$3.00

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	240,000	240,000
Options expiring September 21, 2022 with an exercise price of \$0.10	220,000	220,000
Options expiring October 18, 2013 with an exercise price of \$0.25	320,000	320,000



## **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: June 28, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to securities previously issued by the Issuer as required by the securities legislation of British Columbia.

(signed) "Doug Unwin"

**Douglas H. Unwin**  
President & CEO, Director

(signed) "Robert Charlton"

**Robert Charlton**  
Chief Financial Officer, Director

**ON BEHALF OF THE  
BOARD**

(signed) "Derick Sinclair"

**Derick G. Sinclair**  
Director

(signed) "Mark van der Horst"

**Mark A. van der Horst**  
Director

(signed) "Harold Forzley"

Harold Forzley  
Director

## **CERTIFICATE OF THE PROMOTER**

Date: June 28, 2019

This Preliminary Prospectus constitutes full, true and plain disclosure of all material facts relating to securities previously issued by the Issuer as required by the securities legislation of British Columbia.

(signed) "Doug Unwin"

**Douglas H. Unwin**

Promoter