

CABBAY HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31, 2020 and 2019

(Unaudited – Prepared by Management)

Cabbay Holdings Corp.

Condensed Consolidated Interim Financial Statements

Period ended March 31, 2020 and 2019

(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, 2020.

CABBAY HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	As at March 31, 2020	As at December 31, 2019
ASSETS		
Current		
Cash	\$ 20	\$ 53
Advances	4,353	23,764
GST receivable	21,025	20,971
Prepaid expenses	14,468	51,869
	<u>39,866</u>	<u>96,657</u>
Non-Current		
Other receivable (Note 3)	1	1
License costs (Note 5)	237,899	237,899
	<u>277,766</u>	<u>334,557</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	47,839	46,667
Loans payable (Note 6)	40,999	39,319
Due to related parties (Note 9)	43,128	37,204
	<u>131,966</u>	<u>123,190</u>
Non-Current		
Loans payable (Note 6)	56,000	56,000
Convertible notes (Note 8)	58,009	56,148
	<u>245,975</u>	<u>235,338</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	1,608,675	1,608,675
Contributed surplus (Note 10)	180,250	180,250
Equity component of convertible debt (Note 8)	12,572	12,572
Deficit	(1,769,706)	(1,702,278)
Total equity	<u>31,791</u>	<u>99,219</u>
	<u>\$ 277,766</u>	<u>\$ 334,557</u>

Nature and continuance of operations (Note 1)**Subsequent events (Note 15)****Approved by the directors:**

"Doug Unwin"

"Derick Sinclair"

CABBAY HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Expenses:		
Accounting and audit fees (Note 9)	\$ 2,500	\$ 3,500
Consulting fees (Note 9)	38,714	18,000
Depreciation (Note 4)	-	267
Finance fee (Note 11)	-	125,000
Interest and bank charges (Note 6, 8)	3,773	2,175
Legal fees	221	-
Management fees (Note 9)	-	24,000
Marketing	1,688	-
Office and administration	111	1,009
Transfer agent and filing fees	1,011	880
Travel	-	902
Wages (Note 9)	-	7,500
Total expenses	(48,018)	(183,233)
Write-off of expense advances	(19,410)	-
Net loss and comprehensive loss for the period	\$ (67,428)	\$ (183,233)
Loss per share – Basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	12,779,340	11,083,340

CABBAY HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Activities		
Net loss for the period	\$ (67,428)	\$ (183,233)
Items not involving cash:		
Depreciation	-	267
Finance fee payable in shares	-	125,000
Accrued interest and accretion on long-term debt	3,541	-
Write-off of expense advances	19,410	-
	<u>(44,477)</u>	<u>(57,966)</u>
Changes in non-cash working capital item related to operations:		
GST receivable	(54)	(3,312)
Prepaid expenses	37,402	10,000
Accounts payable and accrued liabilities	1,171	34,311
Cash from operating activities	<u>(5,958)</u>	<u>(16,967)</u>
Investing Activities		
Investment in ACMPR license	-	(43,965)
Financing Activities		
Share subscriptions received	-	5,000
Due to related parties	5,925	22,681
Cash provided by financing activities	<u>5,925</u>	<u>27,681</u>
Increase (decrease) in cash during the period	(33)	(33,251)
Cash, beginning of the period	53	40,250
Cash, end of the period	<u>\$ 20</u>	<u>\$ 6,999</u>
Cash paid for:		
Interest	\$ -	\$ 1,680
Income taxes	\$ -	\$ -
Significant non-cash investing and financing transactions:		
Conversion of due to related parties to subscriptions received (Note 10)	\$ -	\$ 12,500
Reclassification of accounts payable and accrued liabilities to due to related parties	\$ -	\$ 22,749

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

	Number of Shares	Share Capital \$	Subscriptions received \$	Contributed Surplus \$	Equity component of convertible debt \$	Deficit \$	Total \$
Balance, December 31, 2019	12,799,340	1,608,675	-	180,250	12,572	(1,702,278)	99,219
Loss for the period	-	-	-	-	-	(67,428)	(67,428)
Balance, March 31, 2020	12,799,340	1,608,675	-	180,250	12,572	(1,769,706)	31,791

	Number of Shares	Share Capital \$	Subscriptions received \$	Contributed Surplus \$	Equity component of convertible debt \$	Deficit \$	Total \$
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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

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 Tower One Wireless Corp. (formerly 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 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 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. Given the current financial markets lack of interest in financing cannabis cultivation operations, and the lessor not meeting its obligations under the lease, Alta-Sun has terminated lease of 5 acres of Enoch First Nation's land for the cultivation of cannabis. Alta-Sun prepared an application for a standard cultivation license under the Cannabis Act for the terminated location. This application may be transferred to a new location with little updating.

Going Concern

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, 2020, 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 3). The Company had a net loss for the period ended March 31, 2020 of \$67,428 (December 31, 2019: \$558,629) and an accumulated deficit at March 31, 2020 of \$1,769,706 (December 31, 2019: \$1,326,882).

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, 2020 and 2019

1. Nature and Continuance of Operations (continued)

During the period ended March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID- 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

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, 2019.

(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:

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

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

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 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.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

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

(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.

3. 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. As of March 31, 2020, \$200,000 (December 31, 2019: \$200,000) in maintenance fees was due. In the Company's judgment, no portion of this amount will be recognized until collection can be assured. The Company measures the loss allowance for the maintenance at an amount equal to the lifetime expected credit losses of the credit risk to be \$200,000.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

4. Property, Plant and Equipment

Costs				
	Computers	Land	Total	
Balance December 31, 2018	\$ 1,942	\$ 10,500	\$	12,442
Additions	-	8,000		8,000
Disposals	-	(18,500)		(18,500)
Balance December 31, 2019 and March 31, 2020	\$ 1,942	\$ -	\$	1,942

Accumulated Depreciation				
	Computers	Land	Total	
Balance December 31, 2018	\$ 1,602	\$ -	\$	1,602
Depreciation	340	-		340
Balance December 31, 2019 and March 31, 2020	\$ 1,942	\$ -	\$	1,942

Net Carrying Amount				
	Computers	Land	Total	
Balance December 31, 2019 and March 31, 2020	\$ -	\$ -	\$	-

The land is leased land on the Enoch Cree Nation Lands and is presented as a right-of-use asset (see Note 7).

During the year ended December 31, 2019, the lease was terminated due to failure of the lessor to fulfil their obligations under the agreement. As a result, the right-of-use asset valued at \$18,500 was derecognized.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

5. License Costs

Costs and Net Carrying Amount	
	Cannabis Act License Costs
Balance December 31, 2018	\$ 259,050
Additions	53,239
Write-down	(74,390)
Balance December 31, 2019 and March 31, 2020	\$ 237,899

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 Cannabis Act license.

In 2019, the Company wrote-down license costs of \$74,390 on termination of the Enoch Cree Nation Lands lease (Note 7) as these costs are not transferrable to another property.

Costs incurred to obtain the ACMPR License are listed below:

	March 31, 2020	December 31, 2019
Application costs	\$ 128,125	\$ 128,125
Other capitalized charges	109,774	109,774
Total	\$ 237,899	\$ 237,899

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

6. Loans Payable

	March 31, 2020		December 31, 2019	
Loans assumed from PT	\$	35,623	\$	35,623
- Non-interest bearing with no set repayment terms				
Loan assumed from PT		61,376		59,696
- Interest rate of 1% monthly, due September 30, 2022				
	\$	96,999	\$	95,319

On September 26, 2019 the Company signed an agreement whereby the principal of the interest-bearing loan in the amount of \$56,000 (December 31, 2019: \$56,000) became due on September 30, 2022. The loan accrues interest at 1% per month and interest is payable quarterly. Interest expense for the period ended March 31, 2020 was \$1,680 (December 31, 2019: \$6,720). Interest accrued at March 31, 2020, is \$5,376 (December 31, 2019: \$3,696).

7. 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.

In connection with the lease, the Company were to pay a royalty fee of 3% of net earnings before interest, taxes, and depreciation from the sale of product grown on the leased land. The Company recorded this lease as a right-of-use asset and lease liability in the statement of financial position. 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.

On March 31, 2019, the lease term was extended to 10 years with lease payments due at the beginning of each year. The Company recorded an adjustment to the right-of-use asset and lease liability measured at the present value of the additional lease payments.

In 2019 the lease was terminated due to failure of the lessor to fulfil their obligations under the agreement. The Company recorded a loss of \$9,500 on termination of the lease resulting from derecognition of the right-of-use asset and lease liability.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

7. Lease Liability (continued)

Balance, December 31, 2018	1,000
Fair value adjustment for extension of lease term	8,000
Write-down on termination of lease	(9,000)
Balance, December 31, 2019 and March 31, 2020	\$ -

8. Convertible notes

	Due to the CEO and director	Due to the CFO and director	Due to a former director	Total
Principal				
Balance, December 31, 2018	\$ -	\$ -	\$ -	\$ -
Converted from due to related parties	18,552	16,132	17,745	52,429
Accretion	741	645	708	2,094
Balance, December 31, 2019	19,293	16,777	18,453	54,523
Accretion	371	322	356	1,049
Balance, March 31, 2020	\$ 19,664	\$ 17,099	\$ 18,809	\$ 55,572
Interest				
Balance, December 31, 2018	\$ -	\$ -	\$ -	\$ -
Accrued	575	500	550	1,625
Balance, December 31, 2019	575	500	550	1,625
Accrued	287	250	275	812
Balance, March 31, 2020	\$ 862	\$ 750	\$ 825	\$ 2,437
Equity component	\$ 4,448	\$ 3,868	\$ 4,256	\$ 12,572

The convertible notes due from related parties have a face value of \$65,000, are payable on July 10, 2022, bear interest at 5% annually, and are convertible into common shares at the option of the holder at a conversion price of \$0.25 per share (see Note 9).

The notes were separated into their liability and equity components by first valuing the liability component by discounting the cash flows and assigning the residual value to the equity component. The initial fair value of the debt component was recorded at \$52,399 using a discount rate of 12%, and \$12,572 was assigned to the equity component to account for the conversion feature. The debt component will be systematically accreted to its face value over the term of the notes by recording additional interest.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

9. Related Party Transactions

Transactions with related parties are as follows:

	March 31, 2020	March 31, 2019
Accounting fees to a Company controlled by a director	\$ 2,500	\$ 3,500
Consulting fees to a Company controlled by a director	-	3,000
Consulting fees to a director	3,000	-
Consulting fees to a Company controlled by a former director	-	15,000
Management fees to the CEO and director	-	24,000
Wages to the CEO and director	-	7,500
Finance fee to a director (Note 11)	-	31,250
	\$ 5,500	\$ 84,250

Balance due to the CEO and director:

As of March 31, 2020, the Company has \$7,141 (December 31, 2019: \$6,718) of short-term debt owing to the CEO and director of the Company. The balance has no set terms of repayment and does not bear interest.

On April 26, 2019 the CEO and director converted \$12,500 of debt into 50,000 shares at a price of \$0.25 per share.

On July 10, 2019, the CEO and director signed an agreement to convert \$23,000 of outstanding debt to a long-term, convertible promissory note. See Note 8.

Balance due to the CFO and director:

As of March 31, 2020, the Company has \$19,638 (December 31, 2019: \$17,138) of short-term debt owing to a company controlled by the CFO and director, and \$5,000 (December 31, 2019: \$2,000) owing to that director. The amount does not bear interest and has no set terms of repayment.

On April 26, 2019 the director converted \$31,250 of debt related to the finance fee on the line of credit into 125,000 shares (Note 11).

On July 10, 2019, the CFO and director signed an agreement to reclassify \$20,000 of outstanding debt as a long-term, convertible promissory note. See Note 8.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

9. Related Party Transactions (continued)

Balance due to a former director:

As of March 31, 2020, the Company has a balance of \$11,249 (December 31, 2019: \$11,248) of short-term debt owing to a Company controlled by a former director. The amount does not bear interest and has no set terms of repayment.

On April 26, 2019 the former director converted \$15,750 of debt into 63,000 shares at a price of \$0.25 per share.

On July 10, 2019, the former director signed an agreement to reclassify \$22,000 of outstanding debt as a long-term, convertible promissory note. See Note 8.

Other balances due to related parties:

As of March 31, 2020, the Company has \$100 (December 31, 2019: \$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, 2020 the Company has 12,779,340 (December 31, 2019: 12,779,340) common shares issued and outstanding.

During the period ended March 31, 2020:

There was no share activity during the three month period ended March 31, 2020.

During the year ended December 31, 2019:

On July 3, 2019 the Company closed a private placement and issued 160,000 shares at \$0.25 per share for gross proceeds of \$40,000.

On April 26, 2019 the Company closed a private placement and issued 1,284,000 shares at \$0.25 per share for gross proceeds of \$321,000. Of this amount, \$125,000 relates to shares issued as the administrative fee on the line of credit (Note 11), \$185,000 was other debt converted, and \$1,000 was in subscriptions received at December 31, 2018. Of the other debt converted, \$156,750 was accounts payable and \$28,250 was due to related parties.

On May 30, 2019 the Company closed a private placement and issued 252,000 shares at \$0.25 per share for gross proceeds of \$63,000.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

10. Share Capital (continued)

Stock Options and Share Based Payments

As at March 31, 2020 the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price \$	Options Outstanding #
31-Oct-21	0.10	100,000
18-Jan-22	0.10	25,000
10-Jul-22	0.10	280,000
21-Sep-22	0.10	170,000
18-Oct-23	0.25	300,000
23-Aug-24	0.25	20,000
16-Sep-24	0.25	100,000
		995,000

During the period ended March 31, 2020:

There was no stock option activity during the period ended March 31, 2020.

During year ended December 31, 2019:

On August 23, 2019, the Company issued 20,000 options to purchase common shares to a director. 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 \$3,722 using the Black-Scholes pricing model.

On September 16, 2019, the Company issued 100,000 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 \$22,412 using the Black-Scholes pricing model.

The options outstanding and exercisable as at March 31, 2020 have a remaining contractual life of 2.88 years (December 31, 2019: 3.11 years). Stock option activity was as follows:

	Options outstanding	Exercise Price \$
Balance, December 31, 2018	1,025,000	0.15
Issued	120,000	0.25
Forfeited	(150,000)	(0.14)
Balance, December 31, 2019 and March 31, 2020	995,000	0.16

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

10. Share Capital (continued)

The fair value of share based awards is determined using the Black-Scholes Option Pricing Model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's stock options. The Company used the Black-Scholes Option Pricing Model for its stock option grants in 2020 and 2019.

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

	March 31, 2020	December 31, 2019
Expected volatility	-	100%
Risk free interest rate	-	1.21% - 2.40%
Expected life in years	-	5 years
Grant date fair value per share	-	\$0.25
Forfeiture rate	-	0.00%

Warrants

As at March 31, 2020 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price \$	Warrants outstanding #
12-Apr-20	0.35	1,614,358

During the period ended March 31, 2020:

There was no warrant activity during the period ended March 31, 2020.

During the year ended December 31, 2019:

362,333 with an exercise price of \$3.00 per share expired unexercised.

The warrants outstanding and exercisable as at March 31, 2020 have a weighted average remaining contractual life of 0.03 years (December 31, 2019: 0.28 years). Warrant activity was as follows

	Options outstanding	Exercise Price \$
Balance, December 31, 2018	1,976,691	\$0.84
Expired	(362,333)	\$3.00
Balance, December 31, 2019 and March 31, 2020	1,614,358	\$0.35

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

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. The shares were issued on April 26, 2019.

As of March 31, 2020 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.

13. Financial Instruments and Risk

As at March 31, 2020, the Company's financial instruments consist of cash, advances, GST receivable, accounts payable and accrued liabilities, loans payable, due to related parties and convertible notes.

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 has assessed that the fair value of the right to receive the shares from ForwoRX is not determinable and has accordingly recorded a notional value of \$1. FoxworRX is dormant and has no operations as at March 31, 2020.

As of March 31, 2020, \$200,000 in maintenance fees was due from FoxworRX. The Company measures the loss allowance for the maintenance at an amount equal to the lifetime expected credit loss of the credit risk to be \$200,000.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended March 31, 2020 and 2019

13. Financial Instruments and Risk (continued)

Liquidity Risk

The Company's financial liabilities consist of \$47,480 (December 31, 2019: \$46,668) in accounts payable and accrued liabilities, \$96,999 (December 31, 2019: \$95,319) in loans payable, \$43,128 (December 31, 2019: \$37,204) in due to related parties, and \$58,009 (December 31, 2019: \$56,148) in convertible notes. 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, 2020 and 2019

13. Financial Instruments and Risk (continued)

	Level 1	Level 2	Total
	\$	\$	\$
December 31, 2019			
Cash	53	-	53
Loans payable	-	(56,000)	(56,000)
Convertible notes	-	(56,148)	(56,148)
	53	(112,148)	(112,095)
March 31, 2020			
Cash	20	-	20
Loans payable	-	(56,000)	(56,000)
Convertible notes	-	(58,009)	(58,009)
	20	(114,009)	(113,989)

Cash is measured using level 1 fair value inputs. The fair value of long-term loans payable and convertible notes are determined based on level 2 inputs and estimated based on the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at March 31, 2020, the Company believes that the carrying values of its cash, advances, GST receivable, accounts payable and accrued liabilities, due to related parties, and short-term loans payable approximate their fair values because of their nature and relatively short maturity dates or durations.

14. Preliminary Prospectus

On June 28, 2019 the Company filed a preliminary non-offering prospectus with the British Columbia Securities Commission and filed an amendment to the June 28, 2019 non-offering prospectus on August 23, 2019.

15. Subsequent Events

Subject to regulatory approval, the Company has amended the terms of its 1,614,358 warrants by extending by 3 years the expiry date to April 12, 2023 and the exercise price from \$0.35 per share to \$0.10 per share.

The Company has agreed to convert a debt of \$10,000 into 40,000 shares at \$0.25 per share.