

## **CABBAY HOLDINGS CORP.**

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

**For the Six Months and Three Months Ended June 30, 2020**

#### **Overview**

This MD&A has been prepared as of August 28, 2020 and the following information should be read in conjunction with the Issuer's un-audited financial statements for the three and six months ended June 30, 2020 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 its 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 September 18, 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 \$200,000 of these maintenance fees. If the ForwoRx Shares are not issued before September 18, 2018, Tower One may at any time prior to September 18, 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 September 18, 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 or Maintenance Payments.

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. Given the current state of financial markets with respect to cannabis, Cabbay has expanded its search for a viable business to additional industries.

On March 26, 2018, the Issuer incorporated a British Columbia corporation Alta-Sun Samson Holdings Corp. (Alta-Sun). Alta-Sun was established to pursue the licensing, construction and operation of a cannabis growing facility on Enoch First Nations lands. The lease at the Enoch lands has been terminated due to the lessor not meeting its obligations.

### ***Overall Performance***

The Issuer has in the past focused on Cannabis production in Alberta, Canada in partnership with First Nations leaders and communities and the development of cannabis infused products. These partnerships were to 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, was to apply for a cannabis production licenses on First Nations lands in Alberta beginning with the Enoch Cree First Nation.

The issuer will not follow thru with plans to build a 5 acre outdoor cannabis cultivation facility on land it has leased on the Enoch First Nation lands as the lease has been terminated due to the Lessor not meeting its obligations under the lease.

## ***Corporate Highlights***

During the six-month period ended, June 30, 2020 the Issuers business was severely curtailed due to the Corona virus pandemic, however the Issuer accomplished the following: the Issuers activities were limited to searching out additional business opportunities

- On February 25, 2020 Mr. Harold Forzley resigned from the Company's board of Directors.
- On April 12, 2020, the Company's Board of Directors passed a resolution to modify the terms of its 1,614,358 outstanding warrants expiring April 12, 2020, subject to securities regulations. The warrants expiration date will be extended by 3 years to April 12, 2023 and the exercise price will be decreased from \$0.35 to \$0.10.

## **Selected Financial Information**

The financial information reported here has been prepared in accordance with IFRS. The Issuer uses the Canadian dollar (CDN) as its reporting currency. Selected un-audited financial data for interim operations of the Issuer for the three months and six months ended June 30, 2020 and for the three months and six months ended June 30, 2019 and June 30, 2018 are presented:

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

<b>Period ended</b>	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Three Months Ended June 30, 2018</b>	<b>Six Months Ended June 30, 2020</b>	<b>Six Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2018</b>
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net Income / (Loss)	\$(26,839)	\$(103,922)	\$(164,588)	\$(26,839)	\$(287,155)	\$(247,782)
Basic Income/(loss) per share	\$(0.00)	\$(0.01)	\$(0.02)	\$(0.00)	\$(0.02)	\$(0.03)
Diluted loss per share (Unaudited)	\$(0.00)	\$(0.01)	\$(0.02)	\$(0.00)	\$(0.02)	\$(0.03)
Weighted average shares	12,779,340	11,283,938	10,668,719	12,799,340	11,590,407	9,271,672

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

<b>As At</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Cash & Equivalents	\$3,441	\$53
Current Assets	\$20,781	\$96,657
Total Assets	\$258,681	\$334,557
Current liabilities	\$137,860	\$123,190
Non-Current liabilities	\$112,869	\$112,148
Total liabilities	\$253,729	\$235,338
Working Capital / (deficit)	\$(117,079)	\$(73,749)

## **Comparison of the Quarters ending June 30, 2020, June 30, 2019 and June 30, 2018**

### ***Revenues***

The Issuer is a holding company and holds an agreement with ForwoRx Therapeutics Inc. (“ForwoRx”) (*see Business Overview and Strategy*). Under this agreement ForwoRx is to pay to the Issuer \$50,000 per year in maintenance fees. This fee for 2019, 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, 2020, \$200,000 is due from ForwoRx (June 30, 2019 - \$150,000).

During the period ended June 30, 2019 the Issuer continued its operations in cannabis cultivation. On May the 8<sup>th</sup> 2019 Health Canada (**HC**) 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. Once the Enoch Facility is completed an evidence package will be assembled for submission with the application and business plan.

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. The Issuer does not anticipate revenues from the cannabis operation for the foreseeable future.

The Issuer abandoned its cannabis operations in Alberta as the lessor did not meet its obligations under the lease.

### ***Expenses***

For the three months ended June 30, 2020 expenses totaled \$26,839 (June 30, 2019 - \$103,922, June 30, 2018 - \$164,588)

As operations for the second quarter of 2020 were curtailed due to the COVID-19 pandemic, expenses were reduced in all categories other than Interest Expense. The interest expense for the period ended June 30, 2020 was \$3,993 an increase of \$1,795 when compared to the period ended June 30, 2019. The increase was due to an increase in interest due on notes owed to insiders.

For the period ended June 30, 2019 expenses increased in accounting and audit fees due to an increase in audit fees as the company ramped up operations, consulting expenses decreased by \$31,289 due to a decrease in consulting fees related to acquiring suitable land in Alberta, to the Cannabis Act application and greenhouse design, legal fees decreased by \$14,894 due to a decrease in the need for legal advice in the period, wages increase from \$3,750 to \$7,500 due to management salaries that were initiated half way thru the second quarter of 2018.

During the three month period ended June 30, 2020 the issuer assumed debt of \$Nil (June 30, 2019 - \$Nil, June 30, 2018 \$4,179) in relation the plan of arrangement with Tower One. During the three month period ended June 30, 2020, the Issuer had a loss on the conversion of long term debt of \$Nil (June 30, 2019 - \$Nil, June 30, 2018 - \$17,268). The loss for the period ended June 30, 2018 is attributed to the unamortized discounts on long-term debt balances that were converted to common shares. During the period ended June 30, 2018, Long-term debts totaling \$95,000 were converted to 380,000 common shares. The \$4,063 loss on repayment of long-term debt in the period ended June 30, 2018 relates to the unamortized discount on a long-term debt balance due to a related party that was paid off early.

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

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

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

General and administrative costs consist primarily of consulting fees, management fees, accounting costs and other professional and administrative costs associated with maintenance of the Issuer's reporting status and general corporate activities such as pursuing the operations of the 5 acre outdoor cannabis grow out at the Encoh Cree Nation.

The General and administrative costs for the 3 month period ended June 30, 2020 was \$26,839 (June 30, 2019 - \$103,922 June 30, 2018 - \$139,078). For additional discussion of the expenses please see "Expenses".

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

The company has no costs associated with the maintenance of patents or intellectual property under the asset purchase agreement with ForwoRx Therapeutics Inc. ForwoRx did not pay the fees to the United States Patent and Trademark Office in 2019, resulting in the patent for PTL-202 lapsing.

The balance of intangible assets remained at \$237,899 at June 30, 2020 compared to December 31, 2019. In 2019, the Company wrote-down license costs of \$74,390 on termination of the Enoch Cree Nation Lands lease as these costs are not transferrable to another property. The Company recorded a loss of \$9,500 on termination of the lease of land resulting from derecognition of the right-of-use asset and lease liability.

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>June 30, 2020</b>	<b>December 31, 2019</b>
Application costs	\$ 128,125	\$ 128,125
Other capitalized charges	109,774	109,774
<b>Total</b>	<b>\$ 237,899</b>	<b>\$ 237,899</b>

### *Interest Expense/(Income)*

The interest expense in the six month period ended June 30, 2020 was \$7,706 (June 30, 2019 - \$3,360 June 30, 2018 - \$3,360). 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 was due on September 30, 2019 and accrues interest at 1% per month, payable quarterly. Interest expense for the six month period ended June 30, 2020 was \$7,706. Interest accrued at June 30, 2020, is \$10,305 (June 30, 2019 - \$2,016.) Interest expense for the six month period ended June 30, 2019 was \$3,360. Interest accrued at June 30, 2019, is \$2,016 (June 30, 2018 - \$2,016)

### *Profits*

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

### *Stock Based Compensation*

For the 3 month and six month period ended June 30, 2020 stock based compensation was \$Nil (June 30, 2019- \$Nil, June 30, 2018, - \$Nil).

### **Selected Quarterly Information**

	Three Months Ended June 30, 2020	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018
		\$	\$	\$	\$	\$	\$	
<b>Total Revenues</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Net Income (Loss)</b>	(26,839)	(48,018)	(152,085)	(119,,390)	(103,922)	(183,233)	(138,160)	(106,306)
<b>Income (Loss) per Share basic and diluted</b>	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)

Cash	3,441	20	53	9,414	14,056	6,999	40,250	234,471
Total Assets	258,681	277,766	334,557	482,629	521,099	367,833	364,074	456,384
Non-Current Liabilities	115,869	114,009	112,148	109,476	Nil	Nil	Nil	Nil

### *Liquidity and Capital Resources*

At June 30, 2020, the Issuer had cash and cash equivalents of \$3,441 (June 30, 2019 - \$14,056, June 30, 2018 - \$383,172) and working capital of (\$117,079), June 30, 2019 - (\$22,529), June 30, 2018 \$427,395). Working capital decreased by \$43,330 when compared to the year ended December 31, 2019 (\$73,749). This increase was mostly due to in activity during the COVID-19 pandemic. Working capital is defined as current assets less current liabilities.

The Issuer's Cash flows from financing activities for the six months ended June 30, 2020 consisted of the issuance of Nil common shares for proceeds of \$Nil, share subscriptions received of \$Nil and the settlement of \$9,266 in liabilities with related parties. The Issuer's Cash flows from financing activities for the six months ended June 30, 2019 consisted of the issuance of 292,000 common shares for proceeds of \$73,000, share subscriptions received of \$10,000 and the settlement of \$82,233 in liabilities with related parties.

Cash utilized in operating activities during the six months ended June 30, 2019 was \$5,878 (June 30, 2019 - \$144,162 June 30, 2018 - \$320,196.). The decrease in cash utilized in operations was mainly due to an decrease in the finance fee paid in shares related to the lines of credit for the six month period ending June 30, 2020 of \$Nil (June 30, 2020 of \$125,000, June 30, 2018 - \$Nil). During the six month period ended June 30, 2020 the issuer assumed debt of \$Nil (June 30, 2019 - \$ Nil, June 30, 2018 - \$4,179) in relation to the plan of arrangement with Tower One. During the six month period ended June 30, 2020, the Issuer had a loss on the conversion of long term debt of \$Nil (June 30, 2019 - \$Nil, June 30, 2018 - \$17,268). This loss is attributed to the unamortized discounts on long-term debt balances that were converted to common shares. Long-term debts totaling \$95,000 were converted to 380,000 common shares during the six months ended June 30, 2018. The \$4,063 loss on repayment of long-term debt during the six months ended June 30, 2018 relates to the unamortized discount on a long-term debt balance due to a related party that was paid off early (June 30, 2017 - \$Nil).

At June 30, 2020 share capital was \$1,296,597 comprised of 12,799,340 issued and outstanding Common Share (December 31, 2019: \$1,608,675 comprised of 12,799,340 shares).

Warrant and Option Reserves at June 30, 2020 was \$492,328 an increase from December 31, 2019. The Company has amended the terms of 1,614,358 warrants which resulted in an adjustment of \$312,078 to share capital.

As a result of the net loss for the six months ended June 30, 2020 of \$94,267 the deficit at June 30, 2020 increased to \$1,796,545 from \$1,702,278 for the year ended December 31, 2019.

Total equity decreased from \$99,219 at December 31, 2019 to \$4,952 at June 30, 2019.

At present, the Issuer's operations do not generate cash inflows and its financial success after June 30, 2020 is dependent on Issuers ability to generate revenues from its cannabis operations and the asset purchase

agreement with ForwoRx Therapeutics Inc. Neither of these operations may ever generate any revenues for the Issuer.

In order to finance the Issuer's future development plans, administrative and overhead expenses in the coming years the Issuer may raise money through equity sales. Many factors influence the Issuer's ability to raise funds, including the Issuer's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of the Issuer's Cannabis Act application, issuance of permits and licenses from governments, approval from first nations band councils, construction of facilities, the Issuer's ability to grow and sell cannabis profitably and research activities at ForwoRx Therapeutics Inc. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. Should those risks fully materialize, it may not be able to raise adequate funds to continue its operations.

### *Off Balance Sheet Arrangements*

There are currently no off -balance sheet arrangements which could have an effect on current or future results or operations or the financial condition of the Company.

*Transactions with related parties are as follows:*

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Accounting fees to a Company controlled by a director	5,000	\$ 9,000	\$ 9,500
Consulting fees to a Company controlled by a director	6,000	6,000	2,000
Consulting fees to a Company controlled by a director		30,000	43,424
Management fees to the CEO and director		48,000	46,850
Wages to the CEO and director		15,000	3,750
Finance fee to a director (Note 11)		31,250	-
	<b>\$11,000</b>	<b>\$ 139,250</b>	<b>\$ 105,524</b>

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

- As of June 30, 2020, the Company has \$4,983 (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 June 30, 2020, the Company has \$22,138 (December 31, 2019: \$17,138) of short-term debt owing to a company controlled by the CFO and director, and \$8,000



(December 31, 2019: \$2,000) owing to that director. The amounts do 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.
- 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.

### ***Subsequent Events***

Subsequent to June 30, 2020

On August 7, 2020, the board passed a resolution to consolidate the Company’s common shares on the basis of one new share for every 2.5 existing shares up to one new share for every four existing shares.

As at the date of this Management Discussion and Analysis there are no transactions currently contemplated by the Issuer, See “*Business Overview and Strategy*”

### ***Financial Instruments and Other Instruments***

The Issuer’s financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and amounts due to shareholders. Unless otherwise noted, it is management’s opinion that the Issuer is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

### ***Disclosure of Outstanding Share Data***

As at June 30, 2020, the Issuer had an unlimited number of authorized common shares with 12,799,340 common shares issued and outstanding.

As at June 30, 2020 the issuer had 935,000 options outstanding. Each option has an exercise price as detailed in the table below.

As at June 30, 2020 the Issuer had 1,614,358 warrants outstanding. Pursuant to the private placement on April 12, 2017, the Company issued 1,614,358 share purchase warrants. Each whole warrant entitles the holder to purchase one common share at a price of \$0.10 per share before April 12, 2023.

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 \$0.10 up until April 12, 2023	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	280,000	280,000
Options expiring September 21, 2022 with an exercise price of \$0.10	170,000	170,000
Options expiring October 18, 2023 with an exercise price of \$0.25	260,000	260,000
Options expiring August 23, 2024 with an exercise price of \$0.25	20,000	20,000
Options expiring September 16, 2024 with an exercise price of \$0.25	80,000	100,000