

CABBAY HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED September 30, 2020 and 2019

(Unaudited – Prepared by Management)

Cabbay Holdings Corp.

Condensed Consolidated Interim Financial Statements

Period ended September 30, 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 September 30, 2020.

CABBAY HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	As at September 30, 2020	As at December 31, 2019
ASSETS		
Current		
Cash	\$ 1,109	\$ 53
Advances	5,412	23,764
GST receivable	8,651	20,971
Prepaid expenses	2,000	51,869
	<u>17,172</u>	<u>96,657</u>
Non-Current		
Other receivable (Note 3)	-	1
License costs (Note 5)	237,899	237,899
	<u>255,071</u>	<u>334,557</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	48,894	46,667
Loans payable (Note 6)	44,359	39,319
Due to related parties (Note 9)	52,715	37,204
	<u>145,968</u>	<u>123,190</u>
Non-Current		
Loans payable (Note 6)	56,000	56,000
Convertible notes (Note 8)	61,726	56,148
	<u>263,694</u>	<u>235,338</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 10)	1,296,597	1,608,675
Contributed surplus (Note 10)	492,328	180,250
Equity component of convertible debt (Note 8)	12,572	12,572
Deficit	(1,810,120)	(1,702,278)
Total equity (deficiency)	<u>(8,623)</u>	<u>99,219</u>
	<u>\$ 255,071</u>	<u>\$ 334,557</u>

Nature and continuance of operations (Note 1)**Subsequent events (Note 14)****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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Expenses:				
Accounting and audit fees (Note 9)	\$ 2,500	\$ 5,625	\$ 7,500	\$ 27,125
Consulting fees (Note 9)	3,000	50,401	56,619	110,211
Depreciation (Note 4)	-	-	-	340
Finance fee (Note 11)	-	-	-	125,000
Interest and bank charges (Note 6, Note 8)	3,991	4,024	11,697	8,337
Legal fees	868	100	2,699	100
Management fees (Note 9)	3,000	24,000	3,000	72,000
Marketing	-	-	2,250	1,125
Office and administration	191	1,115	565	3,658
Share-based compensation (Note 10)	-	22,375	-	22,375
Transfer agent and filing fees	400	1,074	4,477	8,631
Travel	-	3,176	-	5,142
Wages (Note 9)	-	7,500	-	22,500
Total Expenses	(13,950)	(119,390)	(88,807)	(406,544)
Write-off of expense advances	-	-	(19,410)	-
Write-off of accounts payable	375	-	375	-
Net loss and comprehensive loss for the period	\$ (13,575)	\$ (119,390)	\$ (107,842)	\$ (406,544)
Loss per share – Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	12,779,340	12,775,824	12,779,340	11,990,781

CABBAY HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating Activities		
Net loss for the period	\$ (107,842)	\$ (406,544)
Items not involving cash:		
Depreciation	-	340
Accrued interest and accretion on long-term debt	10,621	1,048
Share-based compensation	-	22,375
Finance fee paid in shares	-	125,000
Write-off of expense advances	19,410	-
Write-off of accounts payable	(375)	-
	(78,186)	(257,781)
Changes in non-cash working capital item related to operations:		
Advances	(1,058)	(5,367)
GST receivable	12,320	3,356
Prepaid expenses	49,869	(77,271)
Accounts payable and accrued liabilities	2,600	142,027
Cash provided by operating activities	(14,455)	(195,036)
Investing Activities		
Investment in ACMPR license	-	(52,239)
Investment in research and development	-	(10,000)
Cash used in investing activities	-	(62,239)
Financing Activities		
Proceeds from issuance of common shares	-	113,000
Due to related parties	15,511	113,439
Cash provided by financing activities	15,511	226,439
Increase (decrease) in cash during the period	1,056	(30,836)
Cash, beginning of the period	53	40,250
Cash, end of the period	\$ 1,109	\$ 9,414
Cash paid for:		
Interest	\$ -	\$ 5,040
Income taxes	\$ -	\$ -
Significant non-cash investing and financing transactions:		
Modification of warrants (Note 10)	\$ 312,078	\$ -

CABBAY HOLDINGS CORP.CONDENSED CONSOLIDATED INTERIM STATEMENTS
OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(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
Modification of warrants (Note 10)	-	(312,078)	-	312,078	-	-	-
Loss for the period	-	-	-	-	-	(107,842)	(107,842)
Balance, September 30, 2020	12,799,340	1,296,597	-	492,328	12,572	(1,810,120)	(8,623)

	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
Shares issued for cash (Note 10)	456,000	114,000	(1,000)	-	-	-	113,000
Conversion of debt to shares (Note 9, Note 10)	740,000	185,000	-	-	-	-	185,000
Finance fee on line of credit (Note 10, Note 11)	500,000	125,000	-	-	-	-	125,000
Share-based compensation (Note 10)	-	-	-	22,375	-	-	22,375
Convertible debt (Note 8)	-	-	-	-	12,572	-	12,572
Loss for the period	-	-	-	-	-	(406,544)	(406,544)
Balance, September 30, 2019	12,779,340	1,608,675	-	176,491	12,572	(1,550,193)	247,545

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 September 30, 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 held an agreement with ForwoRx Therapeutics Inc. for sale and purchase 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. This agreement was transferred to the Company's wholly owned subsidiary Alta-Sun Samson Holdings Corp. ("Alta-Sun"). Subsequent to September 30, 2020, the Company lost control of Alta-Sun (Note 14). The Company no longer has a direct interest in this agreement.

The Company has been engaged in improving its balance sheet and seeking additional business opportunities. Initially the Company focused on business opportunities primarily related to the cultivation, marketing and/or distribution of medicinal cannabis and cannabis products for recreational purposes. Given the current state of financial markets with respect to cannabis, the Company has expanded its search for a viable business to additional industries. Subsequent to September 30, 2020 the Company entered into an option agreement to acquire mining claims in British Columbia know as the Topley Property (Note 14).

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 September 30, 2020, the Company has no source of revenue and does not generate cash flows from operating activities. The Company had a net loss for the period ended September 30, 2020 of \$107,842 (September 30, 2019: \$406,544) and an accumulated deficit at September 30, 2020 of \$1,810,120 (December 31, 2019: \$1,702,278).

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.

Cabby Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

1. Nature and Continuance of Operations (continued)

During the nine-months ended September 30, 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 and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements 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 audited 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 September 30, 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 3.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 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 (the "Asset Purchase Agreement"). 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 Asset Purchase 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 September 30, 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.

On September 18, 2020, the Asset Purchase Agreement was terminated and the intellectual property was returned to the Company's subsidiary Alta-Sun. ForwoRx did not make maintenance fees to intellectual property offices causing the patents to lapse. The Company has assessed that the fair value of the intellectual property is not determinable and has accordingly recorded a nominal value. On termination, ForwoRx is no longer required to pay the \$50,000 annual maintenance fee after September 18, 2020.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 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 September 30, 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 September 30, 2020	\$ 1,942	\$ -	\$	1,942

Net Carrying Amount				
	Computers	Land	Total	
Balance December 31, 2019 and September 30, 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 September 30, 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 September 30, 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:

	September 30, 2020	December 31, 2019
Application costs	\$ 128,125	\$ 128,125
Other capitalized charges	109,774	109,774
Total	\$ 237,899	\$ 237,899

6. Loans Payable

	September 30, 2020	December 31, 2019
Loans assumed from PT	\$ 35,623	\$ 35,623
- Non-interest bearing with no set repayment terms		
Loan assumed from PT	64,736	59,696
- Interest rate of 1% monthly, due September 30, 2022		
	\$ 100,359	\$ 95,319

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

6. Loans Payable (continued)

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 non-compounding interest at 1% per month and interest is payable quarterly. Interest expense for the period ended September 30, 2020 was \$5,040 (2019: \$5,040). Interest accrued at September 30, 2020 is \$8,736 (December 31, 2019: \$3,696) is past due and has been recorded as an increase to the loans payable balance.

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 was 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.

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 September 30, 2020	\$	-

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

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	1,112	967	1,064	3,143
Balance, September 30, 2020	\$ 20,405	\$ 17,744	\$ 19,517	\$ 57,666
Interest				
Balance, December 31, 2018	\$ -	\$ -	\$ -	\$ -
Accrued	575	500	550	1,625
Balance, December 31, 2019	575	500	550	1,625
Accrued	860	750	825	2,435
Balance, September 30, 2020	\$ 1,435	\$ 1,250	\$ 1,375	\$ 4,060
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 (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 September 30, 2020 and 2019

9. Related Party Transactions

Transactions with related parties are as follows:

	September 30, 2020	June 30, 2019
Accounting fees to a Company controlled by a director	\$ 7,500	\$ 9,000
Consulting fees to a Company controlled by a director	-	6,000
Consulting fees to a director	9,000	-
Consulting fees to a Company controlled by a former director	-	30,000
Management fees to the CEO and director	3,000	48,000
Wages to the CEO and director	-	15,000
Finance fee to a director (Note 11)	-	31,250
	\$ 19,500	\$ 139,250

Balance due to the CEO and director:

As of September 30, 2020, the Company has \$5,828 (December 31, 2019: \$6,717) 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 (Note 8).

Balance due to the CFO and director:

As of September 30, 2020, the Company has \$24,638 (December 31, 2019: \$17,138) of short-term debt owing to a company controlled by the CFO and director, and \$11,000 (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 (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 (Note 8).

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

9. Related Party Transactions (continued)

Balance due to a former director:

As of September 30, 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 8).

Other balances due to related parties:

As of September 30, 2020, the Company has \$nil (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 September 30, 2020 the Company has 12,779,340 (December 31, 2019: 12,779,340) common shares issued and outstanding.

Share consolidation

On August 7, 2020, the board approved a consolidation of the Company's common shares on the basis of one post-consolidated share for every 2.5 pre-consolidated shares up to one post-consolidated share for every four pre-consolidated shares. As of the date of these unaudited condensed consolidated interim financial statements, the shares have not been consolidated and as a result, the number of common shares, warrants, and options do not reflect the share consolidation.

Financings

During the nine month period ended September 30, 2020:

The Company agreed to convert a debt of \$10,000 into 40,000 shares at \$0.25 per share. The shares have not been issued as of September 30, 2020.

The Company has amended the terms of 1,614,358 warrants which resulted in an adjustment of \$312,078 to share capital.

During the year ended December 31, 2019:

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

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

10. Share Capital (continued)

On April 26, 2019 the Company closed a private placement and issued 1,284,000 common shares at \$0.25 per common share for a total value 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.

Stock Options and Share Based Payments

As at September 30, 2020 the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price \$	Options Outstanding #
October 31, 2021	0.10	100,000
January 18, 2022	0.10	25,000
July 10, 2022	0.10	280,000
September 21, 2022	0.10	170,000
October 18, 2023	0.25	220,000
August 23, 2024	0.25	20,000
September 16, 2024	0.25	60,000
		875,000

During the nine month period ended September 30, 2020:

120,000 options were forfeited on the resignation of directors and consultants.

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 fair 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 fair value of \$22,412 using the Black-Scholes pricing model.

The options outstanding and exercisable as at September 30, 2020 have a remaining contractual life of 2.24 years (December 31, 2019: 3.11 years). Stock option activity was as follows:

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

10. Share Capital (continued)

	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	995,000	0.16
Forfeited	(120,000)	(0.25)
Balance, September 30, 2020	875,000	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 assumptions used in the black-scholes pricing model were:

	September 30, 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 September 30, 2020 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price \$	Warrants outstanding #
12-Apr-23	0.10	1,614,358

During the nine month period ended September 30, 2020:

The Company amended the terms of its 1,614,358 warrants by extending the expiry date by 3 years from April 12, 2020 to April 12, 2023. The exercise price was revised from \$0.35 per share to \$0.10 per share. The modification resulted in an additional allocation of \$312,078 to contributed surplus.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

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:

	September 30, 2020	December 31, 2019
Expected volatility	100%	-
Risk free interest rate	0.45%	-
Expected life in years	3	-
Grant date fair value per share	\$0.25	-
Forfeiture rate	0%	-

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 September 30, 2020 have a weighted average remaining contractual life of 2.53 years (December 31, 2019: 0.28 years). Warrant activity was as follows:

	Warrants outstanding	Exercise Price \$
Balance, December 31, 2018	1,976,691	\$0.84
Expired	(362,333)	\$3.00
Balance, December 31, 2019 and September 30, 2020	1,614,358	\$0.10

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 September 30, 2020, the Company has borrowed \$nil on the lines of credit.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

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 September 30, 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.

As of September 30, 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.

Liquidity Risk

The Company's financial liabilities consist of \$48,894 (December 31, 2019: \$46,667) in accounts payable and accrued liabilities, \$100,359 (December 31, 2019: \$95,319) in loans payable, \$52,715 (December 31, 2019: \$37,204) in due to related parties, and \$61,726 (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.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

13. 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
	\$	\$	\$
December 31, 2019			
Cash	53	-	53
Loans payable	-	(56,000)	(56,000)
Convertible notes	-	(56,148)	(56,148)
	53	(112,148)	(112,095)
September 30, 2020			
Cash	1,109	-	1,109
Loans payable	-	(56,000)	(56,000)
Convertible notes	-	(61,726)	(61,726)
	1,109	(117,726)	(116,617)

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 September 30, 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.

Cabbay Holdings Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the period ended September 30, 2020 and 2019

14. Subsequent events

Loss of control of subsidiary

On October 16, 2020, Alta-Sun issued 100,000 common shares at a price of \$0.001 per share to an arm's-length party. As a result of the transaction, the Company lost control of its wholly owned subsidiary. Alta-Sun holds the intellectual property for the development of therapies for fibrosis and erectile dysfunction (Note 3) and the ACMPR license assets (Note 5).

Option agreement

On October 19, 2020, the Company entered into an option agreement to earn a 100% interest in the Topley Copper-Gold Project. Under the terms of the agreement, the Company must make aggregate cash payments of \$55,000 over four years, issue 1,000,000 common shares by December 31, 2023, and incur exploration expenditures of \$150,000 by December 31, 2021. A \$5,000 payment was made on signing the agreement.

The option is subject to a 2% net smelter return royalty, of which 1% can be repurchased by the Company for \$1,000,000.

The agreement was amended on October 28, 2020 to add an additional mineral claim to the optioned property.

Forfeiture and Cancellation of Options

Subsequent to September 30, 2020, three directors forfeited their share purchase options totaling 770,000 which had been issued under the Company's Stock Option Plans.