

# **Cliffwood Capital Corp.**

Management Discussion & Analysis  
For the year ended August 31, 2020

*The purpose of this Management Discussion and Analysis (“MD&A”) is to explain management’s point of view of Cliffwood Capital Corp.’s (“Cliffwood”, the “Company”, “we” or “us”) past performance and future outlook. This MD&A should be read in conjunction with our annual financial statements for the period ended August 31, 2020 (the “Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts in the financial statements and this MD&A are expressed in Canadian dollars, unless otherwise indicated. All information contained in this MD&A is current as of December 21, 2020 unless otherwise stated. Additional information on the Company is available on SEDAR.*

### **Forward Looking Information**

Certain sections of this MD&A may contain forward-looking statements. Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, and similar expressions used by the Company’s management are intended to identify forward-looking statements. Such statements reflect the Company’s forecasts, estimates and expectations as they relate to the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

The forward-looking statements contained herein are based on information available as of December 21, 2020.

### **Our Business**

The Company was incorporated under the British Columbia Business Corporations Act on September 5, 2018. On November 1, 2018, the Company signed an arrangement agreement with Vinza Capital Management Ltd. (formerly 1178408 B.C. Ltd.) (“Vinza”) and Elysian Capital Corp. (“Elysian”) whereby the parties wished to effect a reorganization transaction by way of a spin-out of the companies. The Company and Vinza became wholly owned subsidiaries of Elysian on September 5, 2018, their date of incorporation. On February 8, 2019, the Company completed the plan of arrangement pursuant to which the Company was spun out of Elysian and each shareholder received one common share of the Company for each outstanding common share of Elysian.

### **SELECTED ANNUAL INFORMATION**

	Year ended August 31, 2020	Period from September 5, 2018 to August 31, 2019
Revenues	\$ -	\$ -
Loss and comprehensive loss	53,421	26,548
Loss per share, basic and diluted	0.01	0.02
Total assets	160,420	183,573
Total non-current financial liabilities	-	-

## **Results of Operations**

At August 31, 2020, the Company had no continuing source of operating revenues. The Company has not paid any cash dividends on its common shares nor does it have any present intention of paying cash dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be invested to finance its business activities.

At August 31, 2020, the Company had not achieved profitable operations and had accumulated losses of \$79,969 since inception (August 31, 2019 - \$26,548).

### *Results of operations for the year ended August 31, 2020*

For the year ended August 31, 2020, the Company reported a net and comprehensive loss of \$53,421 compared to \$26,548 for the period from September 5, 2018 to August 31, 2019, as summarized below:

	Year ended August 31, 2020	Period from September 5, 2018 to August 31, 2019
Consulting fees	\$ 30,450	\$ 15,750
Professional fees	18,988	10,149
Office and administration	3,785	97
Filing fees	1,872	519
Bank charges and interest	348	33
Interest income	(2,022)	-
<b>Net and comprehensive loss</b>	<b>\$ 53,421</b>	<b>\$ 26,548</b>

The increase in net loss of \$26,873 was primarily driven by an increase in consulting fees of \$14,700, professional fees of \$8,839 and office and administration of \$3,688 as a result of an increase in corporate activity, including completion of a non-brokered private placement during the year ended August 31, 2020. This was partially offset by interest income earned on a \$98,565 loan to a company with a common director, due April 30, 2021, bearing interest at 10% per annum. The note receivable, including accrued interest of \$2,022, was fully repaid in July 2020. The Company was incorporated on September 5, 2018 and did not have any results from operations for the first six months of 2019, as such results from the comparative period relate to a shorter period.

The Company does not have any employees; all of our services are carried out by our directors and officers or by consultants retained on an as needed basis.

### *Results of operations for the quarter ended August 31, 2020*

For the three months ended August 31, 2020, the Company reported a net and comprehensive loss of \$20,308, compared to \$18,154 in the same period of 2019, as summarized below:

	Three months ended August 31, 2020	Three months ended August 31, 2019
Consulting fees	\$ 4,725	\$ 7,875
Professional fees	12,928	10,149
Office and administration	3,785	97
Bank charges and interest	85	33
Interest income	(1,215)	-
<b>Net and comprehensive loss</b>	<b>\$ 20,308</b>	<b>\$ 18,154</b>

The decrease in loss of \$2,154 was primarily driven by lower consulting costs and higher interest income compared to the prior period, partly offset by an increase in professional fees.

The Company incurred consulting fees during the three months ended August 31, 2020 and 2019 related to advisory and administrative services, including bookkeeping, corporate administration, and financial reporting. The Company does not have any employees; all of our services are carried out by our directors and officers or by consultants retained on an as needed basis.

The Company recognized interest income of \$1,215 on its note receivable during the three months ended August 31, 2020, compared to \$nil during the three months ended August 31, 2019.

### **Summary of Quarterly Results**

	<b>Aug 31, 2020</b>	<b>May 31, 2020</b>	<b>Feb 29, 2020</b>	<b>Nov 30, 2019</b>	<b>Aug 31, 2019</b>	<b>May 31, 2019</b>	<b>Feb 28, 2019</b>	<b>Nov 30, 2018</b>
Revenue	\$ nil							
Total comprehensive loss	\$ 20,308	\$ 14,614	\$ 12,685	\$ 5,814	\$ 18,154	\$ 8,394	\$ nil	\$ nil
Loss per share, basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.00
Total assets	\$ 160,420	\$ 162,440	\$ 167,189	\$ 179,289	\$ 183,573	\$ 1	\$ 1	\$ 1
Total liabilities	\$ 18,438	\$ 150	\$ 150	\$ 9,150	\$ 7,620	\$ nil	\$ nil	\$ nil

### **Liquidity and Capital Resources**

The Company's current assets exceeded its current liabilities by \$141,982 at August 31, 2020, compared to \$175,953 at August 31, 2019. The Company had cash on hand of \$160,420 at August 31, 2020, compared to cash on hand at August 31, 2019 of \$133,573. On April 22, 2020, the Company completed a non-brokered private placement of 194,500 common shares at \$0.10 per share for gross proceeds of \$19,450.

In October 2020, the Company invested \$150,000 in American CBD Extraction Corp. ("American CBD") through a non-brokered subscription receipt financing. Subsequently, pursuant to an amalgamation agreement between American CBD and Thoughtful Brands Inc. ("TBI"), the Company received 4,820,917 shares of TBI in exchange for its shares of American CBD. The shares of TBI are subject to release restrictions of a voluntary pooling agreement. In December 2020, the Company sold 1,205,230 shares of TBI for gross proceeds of \$80,840.

The net increase in cash during the year months ended August 31, 2020 was driven by the repayment of notes receivable and proceeds from the private placement, net of cash used for corporate and administrative expenses.

The Company has no operating revenue and therefore must continue to rely on external financing to generate capital to maintain its capacity to meet working capital requirements. The Company has relied on the issuance of shares to finance its operating activities since inception, which the Company intends to continue to rely upon to finance its planned operations. However, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. Management believes the Company will be able to raise additional funds to meet anticipated administrative expenses and pursue future business opportunities.

The Company is not subject to any externally imposed capital requirements.

## **Commitments**

The Company has no commitments.

## **Related Party Transactions**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

During the year ended August 31, 2020, the Company entered into the following transactions with related parties:

- Consulting fees of \$19,950 (2019 - \$5,775) paid to a company controlled by a family member of the CFO.

During the period from incorporation on September 5, 2018 to August 31, 2019, the Company entered into the following transactions with related parties:

- 2,000,000 common shares of the Company were issued to the CEO and director of the Company for proceeds of \$50,000; and
- 100,000 common shares of the Company were issued to the CFO and director of the Company for proceeds of \$2,500.

As at August 31, 2020, there is a balance of \$1,575 (2019 - \$96) payable to a company controlled by a family member of the CFO, which is included in accounts payable. The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

During the year ended August 31, 2020, the Company advanced \$98,565 to a company with a common officer, due April 30, 2021, bearing interest at 10% per annum. The note receivable, including accrued interest of \$2,022, was fully repaid in July 2020.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Critical Accounting Estimates**

The preparation of the Company's financial statements requires the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Based on historic experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the financial statements materially and involve a significant level of judgment by management. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The financial statements for the Company for the period ending August 31, 2020 did not include critical accounting estimates. Areas requiring a significant degree of estimation and judgment include the recognition of deferred tax assets and the Company's ability to continue as a going concern.

### **Accounting Pronouncements Not Yet Adopted**

The Company has not adopted the following amendments which are effective for reporting periods beginning on or after September 1, 2020:

Amendments to IFRS 3, Business Combinations assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company is currently evaluating the potential impact of these amendments.

### **Financial Instruments and Risk Management**

The Company's financial instruments consist of cash, note receivable and accounts payable. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Company is exposed to a variety of financial risks by virtue of its activities including credit, interest rate, and liquidity risk.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company assessed credit risk as low.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has sufficient cash to meet its current liabilities at August 31, 2020. The Company assessed liquidity risk as low.

#### *Foreign exchange risk*

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to foreign exchange risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

### **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties that may significantly impact its financial condition and future financial performance. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A, before making an investment decision.

#### *No Operating History*

The Company has not commenced commercial operations from incorporation to date. The Company has no history of earnings or paid any cash dividends, and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future.

#### *Availability of Financing*

The Company will be competing with other companies in the capital market for available financing.

There is no assurance that the Company will be able to obtain sufficient financing, if at all.

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, including the possible impact on future financing opportunities.

#### **Outstanding Share Data**

Our share capital consists of an unlimited number of common shares without par value. As at the date of this MD&A, we had 8,700,701 common shares issued and outstanding.

#### **Other MD&A Requirements**

Additional information relating to our Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).