

Cliffwood Capital Corp.

Financial Statements
For the year ended August 31, 2020

Expressed in Canadian Dollars



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cliffwood Capital Corp.

Opinion

We have audited the financial statements of Cliffwood Capital Corp. (the "Company"), which comprise the statements of financial position as at August 31, 2020 and 2019, and the statements of comprehensive loss, changes in shareholders' equity, and cash flows for the year ended August 31, 2020 and period from incorporation on September 5, 2018 to August 31, 2019, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and its cash flows for the year ended August 31, 2020 and period from incorporation on September 5, 2018 to August 31, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DML

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

December 21, 2020

Cliffwood Capital Corp.
Statements of Financial Position
(Expressed in Canadian Dollars)

	August 31, 2020	August 31, 2019
Assets		
Current assets		
Cash	\$ 160,420	\$ 133,573
Notes receivable (Note 4)	-	50,000
Total assets	\$ 160,420	\$ 183,573
Liabilities		
Current liabilities		
Accounts payable (Note 6)	\$ 8,863	\$ 2,620
Accrued liabilities	9,575	5,000
Total liabilities	18,438	7,620
Shareholders' equity		
Share capital (Note 5)	221,951	202,501
Deficit	(79,969)	(26,548)
Total shareholders' equity	141,982	175,953
Total liabilities and shareholders' equity	\$ 160,420	\$ 183,573

Nature and continuance of operations (Note 1)

Subsequent events (Note 10)

Approved on behalf of the Board:

"Bronson Peever"

Bronson Peever, Director

"Marlis Yassin"

Marlis Yassin, Director

The accompanying notes are an integral part of these financial statements

Cliffwood Capital Corp.

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Year ended August 31, 2020	Period from September 5, 2018 to August 31, 2019
Expenses		
Consulting fees (Note 6)	\$ 30,450	\$ 15,750
Professional fees	18,988	10,149
Office and administration	3,785	97
Filing and transfer agent fees	1,872	519
Bank charges and interest	348	33
	(55,443)	(26,548)
Interest income (Note 4)	2,022	-
Net and comprehensive loss	\$ (53,421)	\$ (26,548)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted	8,575,817	1,197,681

The accompanying notes are an integral part of these financial statements

Cliffwood Capital Corp.

Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share capital			Total shareholders' equity
	Number	Amount	Deficit	
Balance, September 5, 2018	-	\$ -	\$ -	\$ -
Common shares issued (Note 5)	8,506,201	202,501	-	202,501
Net and comprehensive loss for the period	-	-	(26,548)	(26,548)
Balance, August 31, 2019	8,506,201	202,501	(26,548)	175,953
Common shares issued (Note 5)	194,500	19,450	-	19,450
Net and comprehensive loss for the year	-	-	(53,421)	(53,421)
Balance, August 31, 2020	8,700,701	\$ 221,951	\$ (79,969)	\$ 141,982

The accompanying notes are an integral part of these financial statements

Cliffwood Capital Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended August 31, 2020	Period from September 5, 2018 to August 31, 2019
Cash provided by (used in):		
Operating activities		
Net and comprehensive loss for the period	\$ (53,421)	\$ (26,548)
Items not involving cash		
Interest income	(2,022)	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	10,818	7,620
Net cash used in operating activities	(44,625)	(18,928)
Investing activities		
Repayment of note receivable	150,587	-
Note receivable	(98,565)	(50,000)
Net cash provided by (used in) investing activities	52,022	(50,000)
Financing activities		
Proceeds from issuance of common shares	19,450	202,501
Net cash provided by financing activities	19,450	202,501
Increase in cash	26,847	133,573
Cash, beginning	133,573	-
Cash, ending	\$ 160,420	\$ 133,573

The accompanying notes are an integral part of these financial statements

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Cliffwood Capital Corp. (the “Company”) was incorporated under the British Columbia Business Corporations Act on September 5, 2018. The head office of the Company is located at Suite 918 – 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3 and the registered and records office of the Company is located at Suite 409 – 221 West Esplanade Street, North Vancouver, British Columbia, V7M 3J3. The Company is evaluating assets or businesses for acquisition.

On November 1, 2018, the Company signed an arrangement agreement with 1178408 B.C. Ltd. and Elysian Capital Corp. (formerly Blueprint Corporate Services Ltd.) (“Elysian”) whereby the parties wished to effect a reorganization transaction by way of a spin-out of the Company and 1178408 B.C. Ltd. On February 8, 2019, the Company completed the arrangement agreement. As such, the shareholders of Elysian received one share of the Company for each share of Elysian they owned.

There is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment. As such, the Company’s business involves a high degree of risk. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the Company will be profitable. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

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. As a result of COVID-19 the Company may experience delays in obtaining financing or concluding transactions it is evaluating.

2. Significant accounting policies

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements of the Company for the year ended to August 31, 2020 were authorized for issue by the Board of Directors (“Board”) on December 21, 2020.

(b) Basis of presentation

These financial statements have been prepared on an accrual basis and are based on historical cost, except for certain financial instruments which are measured at fair value.

The Company’s functional currency is the Canadian Dollar. The financial statements are presented in Canadian dollars, unless otherwise noted.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(c) Recent accounting standards

IFRS 16 *Leases* introduces new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases in the statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of IFRS 16 did not have an impact on the Company's financial statements as the Company has no leases.

IFRIC 23 *Uncertainty over Income Tax Treatments* provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. The adoption of IFRIC 23 did not have an impact on the Company's financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents include cash at banks and highly liquid investments with original maturities of three months or less, which are readily convertible into a known amount of cash.

(e) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Financial assets classified as amortized cost if both of the following conditions are met and they are not designated as FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. All financial assets not classified as amortized cost as described above are measured at FVTPL.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statements of comprehensive loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to comprehensive loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to comprehensive loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

(v) Fair value

Financial assets and financial liabilities are measured at fair value using a valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy of a particular asset or liability depends on the inputs used in the valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally derived (unobservable). The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1: defined as observable inputs such as quoted prices in active markets.

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

(f) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(g) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company has not recorded any deferred tax assets.

(h) Foreign Currency Translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit and loss.

(i) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

3. Significant accounting judgements, estimates and assumptions (continued)

The Company's main judgements, estimates, and assumptions are presented below:

(a) Deferred income tax

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

(b) Going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or has no realistic alternative other than to do so.

4. Note receivable

In May 2020, the Company advanced \$98,565 to a company with a common officer, due April 30, 2021 and bearing interest at 10% per annum. The note receivable, including accrued interest of \$2,022, was fully repaid in July 2020 (Note 6).

In July 2019, the Company provided a \$50,000 unsecured, non-interest-bearing loan to a shareholder of the Company repayable on or before December 31, 2019, or on demand at the option of the Company. The note receivable was fully repaid in December 2019.

5. Share capital

(a) Authorized

The Company has authorized an unlimited number of common shares without par value.

(b) Issued

As at August 31, 2020, there were 8,700,701 (2019 – 8,506,201) common shares outstanding.

During the year ended August 31, 2020

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.

During the period from incorporation on September 5, 2018 to August 31, 2019

- On September 5, 2018, the Company issued 1 common share pursuant to the incorporation of the Company at a price of \$1 per share;
- On February 8, 2019, the Company issued 406,200 common shares as part of the arrangement agreement with Elysian (Note 1); and
- On July 19, 2019, the Company completed a non-brokered private placement of 8,100,000 units at \$0.025 per unit for gross proceeds of \$202,500 (Note 6). Each unit was comprised of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.05 for 36 months.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

5. Share capital (continued)

(c) Warrants

The warrant continuity schedule is as follows:

	Number of warrants	Weighted average exercise price
Warrants outstanding, September 5, 2018	-	\$ -
Warrants issued	8,100,000	0.05
Warrants outstanding, August 31, 2020 and 2019	8,100,000	\$ 0.05

Details of warrants outstanding as at August 31, 2020 are as follows:

Exercise price (\$)	Number of warrants outstanding	Expiry date
0.05	8,100,000	July 18, 2022

The weighted average remaining contractual life of warrants outstanding as at August 31, 2020 is 1.88 years.

6. 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 (Note 5); and
- 100,000 common shares of the Company were issued to the CFO and director of the Company for proceeds of \$2,500 (Note 5).

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 (Note 4).

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

7. Management of capital

The Company considers its capital to be comprised of shareholders' equity. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out the planned activities and pay for administrative costs, the Company may attempt to raise additional amounts of capital through the issuance of shares. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since incorporation. The Company is not subject to external capital requirements.

8. Financial instruments

(a) Categories of financial instruments and fair value measurements

	August 31, 2020	August 31, 2019
Financial assets at amortized cost		
Cash	\$ 160,420	\$ 133,573
Note receivable	-	50,000
Financial liabilities at amortized cost		
Accounts payable	(8,863)	(2,620)
	<u>\$ 151,557</u>	<u>\$ 180,953</u>

The Company considers that the carrying amount of all its financial assets recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

(b) Management of financial risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

8. Financial instruments (continued)

(b) Management of financial risks (continued)

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.

9. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended August 31, 2020	Period from September 5, 2018 to August 31, 2019
Net loss	\$ (53,421)	\$ (26,548)
Statutory income tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(14,424)	(7,168)
Temporary difference not recognized	14,424	7,168
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	Year ended August 31, 2020	Period from September 5, 2018 to August 31, 2019
Non-capital losses	\$ 21,592	\$ 7,168

The Company has non-capital losses of \$79,969 available for carry-forward that will expire between 2039 and 2040.

Cliffwood Capital Corp.

Notes to Financial Statements

August 31, 2020

(Expressed in Canadian Dollars)

10. Subsequent Events

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.