

Cliffwood Capital Corp.
(formerly 1178406 B.C. Ltd.)

Management Discussion & Analysis
For the nine months ended May 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 (formerly 1178406 B.C. Ltd.) (“Cliffwood”, the “Company”, “we” or “us”) past performance and future outlook. This MD&A should be read in conjunction with our unaudited condensed interim financial statements for the three and nine months ended May 31, 2020 (the “Financial Statements”). The preparation of financial data is in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB, including IAS 34, Interim Financial Reporting, and follows the same accounting policies and methods of application as the Company’s most recent annual financial statements. 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 July 28, 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 July 28, 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. (formerly Blueprint Corporate Services Ltd.) (“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.

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.

Summary of Quarterly Results

The Company was incorporated on September 5, 2018, as such, the seven most recent quarters have been presented below.

	May 31, 2020	Feb 29, 2020	Nov 30, 2019	Aug 31, 2019	May 31, 2019	Feb 28, 2019	Nov 30, 2018
Revenue	\$ nil						
Total comprehensive loss	\$ 4,114	\$ 12,685	\$ 5,814	\$ 18,154	\$ 8,394	\$ nil	\$ nil
Loss per share, basic and diluted	\$ 0.0	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.00
Total assets	\$ 162,440	\$ 167,189	\$ 179,289	\$ 183,573	\$ 1	\$ 1	\$ 1
Total liabilities		\$ 150	\$ 9,150	\$ 7,620	\$ nil	\$ nil	\$ nil

Results of Operations

The Company had no continuing source of operating revenues as at May 31, 2020. 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.

The Company had not achieved profitable operations as at May 31, 2020 and had accumulated losses of \$49,161 since inception.

Results of operations for the three months ended May 31, 2020

The Company reported a net loss for the three months ended May 31, 2020 of \$4,114, compared to a net loss for the three months ended May 31, 2019 of \$8,394, a reduction of \$4,280. This reduction was primarily driven by lower consulting costs compared to the prior period and an increase in interest income.

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 incurred consulting fees during the three months ended May 31, 2020 and May 31, 2019 related to advisory and administrative services, including bookkeeping, corporate administration, and financial reporting. The activity level for consultants was reduced following closing of the arrangement agreement in February 2019 resulting in lower fees.

The Company recognized interest income of \$807 on its note receivable advanced during the three months ended May 31, 2020, compared to \$nil during the three months ended May 31, 2019.

Results of operations for the nine months ended May 31, 2020

The Company reported a net loss for the nine months ended May 31, 2020 of \$22,613, compared to a net loss from September 5, 2018 to May 31, 2019 of \$8,394, an increase of \$14,219. 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 increase in net loss was primarily driven by higher consulting fees, professional fees, and regulatory and listing fees, partially offset by the increase in interest income described above. The increase in all of these expenses was the result of nine months of activity in the current period compared to three months of activity in the comparative period.

Liquidity and Capital Resources

The Company's current assets exceeded its current liabilities by \$162,440 at May 31, 2020, compared to \$175,953 at August 31, 2019. The Company had cash on hand of \$63,068 at May 31, 2020, compared to cash on hand at August 31, 2019 of \$133,573. Current assets excluding cash at May 31, 2020 consisted of a note receivable of \$98,565 (August 31, 2019 - \$50,000) and interest receivable of \$807 (August 31, 2019 - \$nil). 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. The Company paid share issuance costs of \$10,500 in connection with the private placement resulting net proceeds of \$8,950.

The decrease in cash during the nine months ended May 31, 2020 was driven by the investment in a note receivable, 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").

Remuneration attributed to key management personnel includes:

- Consulting fees of \$4,725 during the three months ended May 31, 2020 (three months ended May 31, 2019 - \$nil) and \$15,225 during the nine months ended May 31, 2020 (period from September 5, 2018 to May 31, 2019 - \$nil) to a company controlled by 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.

At August 31, 2019 there was \$96 payable to a company controlled by the CFO, which was included in accounts payable. The amount was unsecured, non-interest bearing, and had no fixed terms of repayment.

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 did not include critical accounting estimates. Areas requiring a significant degree of estimation and judgment include the Company's ability to continue as a going concern and the recognition of deferred tax assets.

New Accounting Standards

The Company adopted the following standards effective September 1, 2019:

IFRS 16 *Leases* introduced new requirements for the classification and measurement of leases. The adoption of IFRS 16 did not have an impact on the Company's financial statements as it 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.

Financial Instruments and Risk Management

The Company's financial instruments consist of cash, restricted cash, note receivable, accounts payable and accrued liabilities. 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 risk 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 and note receivable. This risk for cash is managed by using major banks that are high credit quality financial institutions as determined by rating agencies, and the Company's note receivable was collected subsequent to May 31, 2020. 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 May 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's note receivable had a fixed interest rate; therefore, 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.

Outstanding Shares and Warrants

Our share capital consists of an unlimited number of common shares without par value.

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. The Company paid share issuance costs of \$10,500 in connection with the private placement resulting net proceeds of \$8,950.

As at July 28, 2020, we had 8,700,701 issued and fully paid common shares outstanding and 8,100,000 share purchase warrants outstanding with an exercise price of \$0.05 which expire on July 18, 2022.

Other MD&A Requirements

Additional information relating to our Company may be found on SEDAR at www.sedar.com.