

# **SEAWAY ENERGY SERVICES INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2019**

This management discussion and analysis of financial position and results of operation is prepared as at January 24, 2020 and should be read in conjunction with the audited financial statements and the accompanying notes for the years ended September 30, 2019 and 2018 of Seaway Energy Services Inc. ("Seaway" or "the Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

### **Forward Looking Statements**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent that they relate to the Company or its management or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including the ability to raise the necessary capital or to be fully able to implement its business strategies.

Forward-looking statements are not historical facts, but reflect the Company's current expectations and assumptions regarding future results or events. In particular, fluctuations in the securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials.

### **Company Overview**

The Company is a corporation continued under the laws of British Columbia. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "SEW". The Company's principal office is located at #789 - 999 West Hasting Street, Vancouver, British Columbia, V6C 2W2 Canada.

The Company has been actively seeking new business opportunities and financing. On February 20, 2019, the Company negotiated and entered into a letter of intent to acquire Sweet Earth Holdings Corporation. ("Sweet Earth"). See "Proposed Business Acquisition and Financing".

The Company incorporated a subsidiary, 1199900 B.C. Ltd. incorporated on March 5, 2019 in the Province of British Columbia. The Company holds 100% interest in 1199900 B.C. Ltd. which was inactive during the year ended September 30, 2019.

The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate, negotiate and complete an acquisition of or participation in an interest in properties, assets or businesses. There can be no assurance that the Company will be able to complete such activities or obtain financing to continue; therefore, a material uncertainty exists that cast significant doubt over the Company's ability to continue as a going concern.

## Proposed Business Acquisition and Financing

On April 1, 2019, the Company entered into an amalgamation agreement (the "Agreement") with Sweet Earth Holdings Corporation ("Sweet Earth"). Under the terms of the Agreement, 1199900 B.C Ltd., a wholly owned subsidiary of the Company, and Sweet Earth will amalgamate and continue as one corporation ("Amalco"). In conjunction with the amalgamation, Sweet Earth shareholders will receive shares of the Company on a 1:1 proportion of the number of shares of the Company outstanding at the date of closing. Additionally, in conjunction with the amalgamation, the Company will apply to delist from the TSXV and apply to list on the Canadian Stock Exchange ("CSE"). Upon closing, the Company will consolidate its shares on the basis of 1 post-consolidation share for every 2.5 pre-consolidation shares. The completion of this Agreement is subject to regulatory approval. As of the date of this MD&A, the Company has 27,842,583 common shares outstanding.

## Board of Directors and Officers

As of the date of this MD&A the directors and officers are as follows:

David Sidoo	- President, director
Peter Espig	- Interim CEO, director
Dylan Sidoo	- Director
Leon Ho	- CFO, director
Amrik Virk	- Director

## Selected Annual Information

	Year ended September 30, 2019	Year ended September 30, 2018	Year ended September 30, 2017
Revenues	\$Nil	\$Nil	\$Nil
Loss For the Year	\$615,583	\$1,374,212	\$292,238
Loss Per Share: Basic & Diluted	\$(0.02)	\$(0.06)	\$(0.03)
Total Assets	\$1,651,321	\$2,276,770	\$92,239
Long Term Debt	\$Nil	\$Nil	\$Nil

## Selected Financial Data

The following selected quarterly financial information is derived from the financial statements of the Company.

	Fiscal 2019				Fiscal 2018				Fiscal 2017
	Sep. 30 2019 \$	Jun. 30 2019 \$	Mar. 31 2019 \$	Dec. 31 2018 \$	Sep. 30 2018 \$	Jun. 30 2018 \$	Mar. 31 2018 \$	Dec. 31 2017 \$	Sept. 30 2017 \$
<b>Operations:</b>									
Revenues	Nil								
Expenses	(165,880)	(127,981)	(251,053)	(84,605)	(223,978)	(273,789)	(394,483)	(519,392)	(49,492)
Other items	7,699	9,544	(14,953)	11,646	10,953	11,677	11,949	2,851	505
Comprehensive (loss) income	(158,181)	(118,437)	(266,006)	(72,959)	(213,025)	(262,112)	(382,534)	(516,541)	(48,987)
(Loss) income per share -basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.04)	(0.04)	(0.01)
<b>Balance Sheet:</b>									
Working capital (deficit)	1,536,984	1,695,165	1,813,602	2,079,608	2,152,567	2,305,597	2,475,204	2,857,738	29,529
Total assets	1,651,321	1,745,728	1,859,239	2,142,559	2,276,770	2,460,339	2,613,260	2,915,987	92,239

## Fourth Quarter

There were no significant events or transaction during the three month period ended September 30, 2019.

## **Results of Operations**

### *Year Ended September 30, 2019 Compared to Year Ended September 30, 2018*

During the year ended September 30, 2019, the Company reported a net loss of \$615,583 compared to a net loss of \$1,374,212 during the year ended September 30, 2018, primarily due to:

- (i) incurred accounting and administrative of \$112,394 (2018 - \$45,555) due to business management fees paid or accrued to a company owed by a director during the current year.
- (ii) incurred corporate development of \$nil (2018 - \$83,328) due to no development services were needed during the current year.
- (iii) incurred executive management compensation of \$207,713 (2018 - \$346,250) due to less bonuses being issued during the current year.
- (iv) incurred legal of \$36,741 (2018 – recovery of \$13,402) due to reversal of legal accrual during the comparative year.
- (v) incurred office of \$58,867 (2018 - \$10,349) due to general costs from the office space provided by a company owned by a director of the Company.
- (vi) incurred public relations of \$nil (2018 - \$100,000) due to no business opportunities to promote during the current year.
- (vii) incurred rent of \$37,800 (2018 - \$10,756) due to office space provided by a company owned by a director of the Company.
- (viii) incurred share-based compensation of \$Nil (2018 - \$282,000) due to stock options granted during the comparative year.
- (ix) incurred sponsorship of \$nil (2018 - \$25,000) due a charitable cause supported by management of the Company.
- (x) incurred travel and related of \$29,318 (2018 - \$346,602) as less trips were taken during the current year.

## **Financial Condition / Capital Resources**

During the period ended September 30, 2019, the Company incurred a comprehensive loss of \$615,583 and, as at September 30, 2019, had working capital of \$1,536,984 and an accumulated deficit of \$6,044,151. The Company has sufficient financial resources to maintain current levels of overhead. The Company's operations have been funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

At September 30, 2019, the Company had cash totaling at \$1,651,321 (2018 - \$2,247,370). During the year ended September 30, 2019, the Company used net cash of \$596,049 for operating activities.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Proposed Transactions**

The Company has no other proposed transactions.

## Changes in Accounting Policies

Please refer to the September 30, 2019 consolidated financial statements on [www.sedar.com](http://www.sedar.com) for details on accounting policies adopted in the period as well as future accounting policies.

## Related Party Disclosures

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 consist of members of the Company's Board of Directors, executive officers, and any companies owned or controlled by them.

	<u>2019</u>	<u>2018</u>
Accounting and administrative	\$ 94,500	\$ 8,000
Executive management compensation	207,713	346,250
Professional fees <sup>(i)</sup>	30,975	-
Office <sup>(i)</sup>	46,356	-
Rent <sup>(i)</sup>	37,800	10,756
Share-based compensation	-	282,000
	<u>\$ 417,344</u>	<u>\$ 628,250</u>

<sup>(i)</sup> These fees have been paid or accrued to a company owned by the Director of the Company.

As at September 30, 2019, \$40,277 remained unpaid and has been included in accounts payable. As at September 30, 2018, \$75,500 remained unpaid, of which \$8,000 was included in accounts payable and \$67,500 was included in accrued liabilities.

As at September 30, 2019, \$Nil (2018 - \$3,925) was advanced to companies controlled by a director of the Company, and included in prepaid expenses.

(ii) During the year ended September 30, 2019, the Company incurred a total of \$Nil (2018 - \$38,805) with Chase Management Ltd. ("Chase"), a private corporation owned by the former CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO. As at September 30, 2019, \$Nil (2018 - \$320) remained unpaid and has included in accounts payable and accrued liabilities.

## Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value and unlimited preferred shares without par value.

As at the date of this MD&A, the Company had the following outstanding:

Common shares – 27,842,583 outstanding

Options:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
160,000	\$0.35	October 18, 2021
490,000	0.20	October 20, 2021
<u>100,000</u>	1.14	December 27, 2021
750,000		

## Additional Disclosure

Subsequent to September 30, 2019, the Company advanced management fees of \$225,000 to an officer of the Company. This amount was backed by a promissory note with no fixed terms of repayment.