

# **SEAWAY ENERGY SERVICES INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019**

This management discussion and analysis of financial position and results of operation is prepared as at February 27, 2020 and should be read in conjunction with the unaudited condensed interim financial statements and the accompanying notes for the period ended December 31, 2019 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 period ended December 31, 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 has received conditional approval from the Canadian Securities Exchange. 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:

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

## Selected Financial Data

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

	Fiscal 2020	Fiscal 2019				Fiscal 2018			
	Dec. 31 2019 \$	Sep. 30 2019 \$	Jun. 30 2019 \$	Mar. 31 2019 \$	Dec. 31 2018 \$	Sep. 30 2018 \$	Jun. 30 2018 \$	Mar. 31 2018 \$	Dec. 31 2017 \$
<b>Operations:</b>									
Revenues	Nil								
Expenses	(160,146)	(165,880)	(127,981)	(251,053)	(84,605)	(223,978)	(273,789)	(394,483)	(519,392)
Other items	7,708	7,699	9,544	(14,953)	11,646	10,953	11,677	11,949	2,851
Comprehensive (loss) income	(152,438)	(158,181)	(118,437)	(266,006)	(72,959)	(213,025)	(262,112)	(382,534)	(516,541)
(Loss) income per share -basic and diluted	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.01)	(0.04)	(0.04)
<b>Balance Sheet:</b>									
Working capital (deficit)	1,384,546	1,536,984	1,695,165	1,813,602	2,079,608	2,152,567	2,305,597	2,475,204	2,857,738
Total assets	1,515,194	1,651,321	1,745,728	1,859,239	2,142,559	2,276,770	2,460,339	2,613,260	2,915,987

## Results of Operations

### *Three Months Ended December 31, 2019 Compared to Three Months Ended December 31, 2018*

During the three months ended December 31, 2019, the Company reported a net loss of \$152,438 compared to a net loss of \$72,959 during the three months ended December 31, 2018, primarily due to:

- (i) incurred accounting and administrative of \$26,775 (2018 - \$12,445) due to business management fees paid or accrued to a company owned by a director during the current period.
- (ii) incurred executive management compensation of \$93,563 (2018 - \$36,750) due to increased management fees during the current period.
- (iii) incurred office of \$12,228 (2018 - \$11,236) due to general costs from the office space provided by a company owned by a director of the Company.
- (iv) incurred rent of \$9,450 (2018 - \$9,000) due to office space provided by a company owned by a director of the Company.
- (v) incurred travel and related of \$8,977 (2018 - \$15,152) as less trips were taken during the current period.

## Financial Condition / Capital Resources

During the period ended December 31, 2019, the Company incurred a comprehensive loss of \$152,438 and, as at December 31, 2019, had working capital of \$1,384,546 and an accumulated deficit of \$6,196,589. 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 December 31, 2019, the Company had cash totaling at \$1,269,191 (September 30, 2019 - \$1,651,321). During the period ended December 31, 2019, the Company used net cash of \$382,130 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 December 31, 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.

	<b>For three months ended</b>	
	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Accounting and administrative	\$ 17,325	\$ 24,500
Executive management compensation	93,563	36,750
Professional fees <sup>(i)</sup>	9,450	-
Office <sup>(i)</sup>	11,970	10,206
Rent <sup>(i)</sup>	9,450	9,000
	<u>\$ 141,758</u>	<u>\$ 80,456</u>

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

- (i) During the period ended December 31, 2019, the Company advanced \$225,000 to a director and officer. This amount was backed by a promissory note with no fixed terms of repayment.
- (ii) During the period ended December 31, 2019 the Company paid or accrued a total of \$11,970 (2018 - \$43,706) for accounting and administrative services, including office expenditures and rent, to a company owned by a Director of the Company.

As at December 31, 2019, \$70,478 (September 30, 2019 - \$40,277) remained unpaid and has been included in accounts payable.

As at December 31, 2019, \$246,003 (September 30, 2019 - \$ Nil) was advanced to companies controlled by a director of the Company, and included in prepaid expenses.

## 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:

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