

## **Management's Discussion and Analysis of Financial Fiscal year ended August 31<sup>st</sup>, 2018**

### **Avalon Works Corp.**

The following annual management discussion and analysis ("MD&A") of the financial results is dated January 25, 2019 and reviews the operations of Avalon Works Corp. (the "Company") for the fiscal year ended August 31<sup>st</sup>, 2018 and should be read in conjunction with the Company's audited financial statements (including notes) for the year ended August 31<sup>st</sup>, 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

### **Forward Looking Information**

Certain statements made in the MD&A, including, without limitation, statements relating to the Company's expectations concerning future revenues and earnings, market conditions and the sufficiency of capital and liquidity, constitute forward looking statements. Avalon Works Corp. believes these statements to be true based on its knowledge as at January 25, 2019. These forward looking statements are subject to risks and uncertainties, many of which are beyond the Company control, which may cause future results to differ materially from those expected (see "Risks and Uncertainties"). The Company does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations, except as prescribed by applicable securities laws.

### **Description of the Company**

Avalon Works Corp. is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The head office and principal address is located at 237 Argyle Avenue, Ottawa, Ontario, K2P 1B8.

The Company has ceased active operations. The Company's ability to continue as a going concern is in substantial doubt and dependent on its ability to achieve profitable operations in the future from new business ventures, on its ability to obtain additional capital and on the continued support of its shareholders and/or any lenders. The outcome of these matters cannot be predicted at this time. Any possible business or asset purchase transactions may be subject to required regulatory, legal, securities, board and shareholder approvals, the completion of which is uncertain.

### **Basis of presentation**

The annual audited financial statements referred to above, including comparatives, and the financial data presented in the MD&A are in Canadian dollars which is also the Company's functional currency.

### **Results of Operations**

The Company has not generated any income for the fiscal year ended August 31<sup>st</sup>, 2018. Management does not expect any revenues until 2019 while working to be listed again at which time further financing can be completed to support future business endeavours.

For the fiscal year ended August 31<sup>st</sup>, 2018, the only expense of the Company was the management fees for an amount of 159,188\$ which is justified by the administrative functions of the directors of the Company. The management fees increased significantly compared to the same period last year as the directors of the Company were not actively involved with company affairs during the past years.

### Selected Results of Operations Data

	<b>Aug. 31, 2018 (audited)</b>	<b>Aug. 31, 2017 (audited)</b>
<b>Revenue</b>	0	0
<b>Expenses</b>	159,188	22,600
<b>Net Loss</b>	159,188	22,600

### **Issued and outstanding share data**

	<b>Aug. 31, 2018 (audited)</b>		<b>Aug. 31, 2017 (audited)</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
		\$		\$
<b>Balance, beginning of the year</b>	19,742,200	1,000	19,742,200	1,000
<b>Balance, end of the year</b>	19,742,200	1,000	19,742,200	1,000

The Company has 19,742,200 outstanding common shares as at January 25, 2019.

### **Liquidity and capital resources**

As at August 31<sup>st</sup>, 2018, the Company doesn't have any assets.

As at August 31<sup>st</sup>, 2018, the Company has a working capital deficit of 204,388\$. In addition, the accounts payable includes unrelated payables in the amount of 57,488\$ and payables to related party in the amount of 146,900\$ for the management fees to the directors of the company.

The Company intends to settle these liabilities with the issue of shares at the market value after completing the listing transaction. In the event that the Company is unable to convert any of these liabilities, it will settle the accounts in cash.

While the Company is not currently engaged in any activities, the Company is in the process of getting its filling documents up to date to have its share relisted and be able to enter into a qualifying transaction to have future operations.

The Company's ability to continue as a going concern is dependent upon its ability to close a qualifying transaction and raise additional financing to have future operations.

These factors indicate the existence of a material uncertainty regarding the ability of the Company to continue as a going concern.

### **Financial Instruments**

As at August 31<sup>st</sup>, 2018, the Company's financial instruments include accounts payable and accrued liabilities. The carrying values of accounts payable and accrued liabilities approximate their fair value due to their relatively short periods to maturity.

### **Off-balance sheet arrangements**

The Company does not have any special purpose entities, nor is it a party to any transactions or arrangements that would be excluded from the statement of financial position.

## **Related party transactions**

Refer to note 9 of the audited financial statements for the fiscal year ended August 31<sup>st</sup>, 2018 for the related parties.

## **Critical Accounting estimates**

There have been no changes to the Company's significant accounting judgements and estimates in the year ended August 31<sup>st</sup>, 2018. The Company's significant accounting judgements and estimates are described in note 5(e) to the annual audited financial statements for the year ended August 31<sup>st</sup>, 2018.

## **Changes in accounting policies**

There have been no changes to the Company's accounting policies in the year ended August 31<sup>st</sup>, 2018. The Company's significant accounting policies are described in note 5 to the annual audited financial statements for the year ended August 31<sup>st</sup>, 2018.

## **Risk and uncertainties**

The Company is exposed to a number of risks in the normal course of its business that have the potential to affect its operating performance. The Company's risk exposures and the impact of the Company's financial instruments are summarized below :

### ***Liquidity risk***

The Company's accounts payable and accrued liabilities have an expected maturity of less than one year resulting in their current classification on the statement of financial position. The Company currently has no assets and is unable to discharge its liabilities until financing is obtained.

### ***On-going concern***

To date, the Company has not achieved a sustainable stream of revenue. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future.

The Company expects to continue to incur losses until such time a sustainable revenue source can be developed. There can be no assurance that the Company will generate any revenues or achieve profitability.

### ***Additional Financing***

As there is no revenue generated from operations, the Company relies on the equity and debt financing to pursue business opportunities. Failure to obtain such financing could result in delay or the ability to complete proposed business opportunities.

## **Other MD&A Requirements**

Additional information related to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).