

AVALON WORKS CORP.

Second Quarter Report

For the three and six months ended February 28, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – *Interim Financial Reporting*.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

Avalon Works Corp.
Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

	February 28, 2019	(Audited) August 31, 2018
	\$	\$
Assets		
Cash	50,582	
Total assets	50,582	-
Liabilities		
Current liabilities		
Accounts payable <i>(Note 4)</i>	216,492	204,388
Loan <i>(Note 5)</i>	125,000	-
Total liabilities	341,492	204,388
Shareholders' deficiency		
Share capital <i>(Note 6)</i>	1,000	1,000
Deficit	(291,910)	(205,388)
Total shareholders' deficiency	(290,910)	(204,388)
Total liabilities and shareholders' deficiency	50,582	-

Approved on behalf of the directors:

(signed by Michael Clemann)

Director

Director

The accompanying notes are an integral part of these financial statements.

Avalon Works Corp.
Statements of Loss and Comprehensive Loss
(Unaudited – Expressed in Canadian dollars)

	Three months ended February 28,		Six months ended February 28,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	\$	\$	\$	\$
Revenue				
	-	-	-	-
	-	-	-	-
Expenses and other income				
Professional fees	25,539	0,00	52,739	0,00
Business fees & License	29,483	0,00	33,783	0,00
Net loss and comprehensive loss	<u>(55,022)</u>	<u>(0,00)</u>	<u>(86,522)</u>	<u>(0,00)</u>
Net loss per share, basic and diluted	<u>(0.002)</u>	<u>(0.000)</u>	<u>(0.004)</u>	<u>(0.000)</u>
Weighted average number of shares, basic and diluted	<u>19,742,200</u>	<u>19,742,200</u>	<u>19,742,200</u>	<u>19,742,200</u>

The accompanying notes are an integral part of these financial statements.

Avalon Works Corp.
Statements of Changes in Shareholders' Deficiency
Six Months Ended February 28, 2019 and 2018
(Unaudited – Expressed in Canadian dollars)

	Six months ended February 28,	
	<u>2019</u>	<u>2018</u>
	\$	\$
Share Capital		
Balance, beginning of year	<u>1,000</u>	<u>1,000</u>
Balance, end of period	<u>1,000</u>	<u>1,000</u>
 Deficit		
Balance, beginning of year	(205,388)	(46,200)
Net loss and comprehensive loss for the period	<u>(86,522)</u>	<u>(0,00)</u>
Balance, end of period	<u>(291,910)</u>	<u>(46,200)</u>
 Shareholders' Deficiency	 <u>(290,910)</u>	 <u>(45,200)</u>

The accompanying notes are an integral part of these financial statements.

Avalon Works Corp.
Statements of Cash Flows

Six Months ended February 28, 2019 and 2018

(Unaudited – Expressed in Canadian dollars)

	Six months ended February 28,	
	<u>2019</u>	<u>2018</u>
	\$	\$
Operating activities		
Net loss for the period	(86,522)	(0,00)
Changes in accounts payable and accrued liabilities	<u>12,104</u>	<u>0,00</u>
Net operating cash flows	<u>(74,418)</u>	<u>-</u>
Financing activities		
Loan	<u>125,000</u>	<u>(0,00)</u>
Net financing cash flows	<u>125,000</u>	<u>-</u>
Increase in cash	50,582	-
Cash - beginning of the year	<u>-</u>	<u>-</u>
Cash - end of the period	<u>50,582</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Avalon Works Corp.
Notes to the Financial Statements

Six Months ended February 28, 2019 and 2018
(Unaudited – Expressed in Canadian dollars)

1. Nature of operations and continuance of operations

Avalon Works Corp. (the “Company”) was incorporated under the Canada Business Corporations Act on April 6, 2000. The Company is domiciled in Canada. The company terminated its operations in 2007. On July 31, 2009 the company's Securities were delisted from the TSX Venture Exchange and are not currently trading on any exchange. The Company obtained its certificate of revival on November 9, 2018 and three partial revocation orders issued by the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission, on February 25, 2019. The address of the Company's registered office is 237 Argyle Avenue, suite 100, Ottawa, Ontario K2P 1B8.

Avalon Works Corp. was deemed to hold no value as it was solely used as a shell company to allow prospective investors to enter into a go public transaction.

The financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. As at February 28, 2019, the Company did not have any commercialized business operation and is not able to finance day to day activities through 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 which will allow for settlement of debt as detailed above and to have future operations. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future or settle its liabilities as intended above.

These financial statements were approved and authorized for issue by the Board of Directors on April 25, 2019.

2. Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These condensed interim financial statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended August 31, 2018.

3. Basis of preparation

Basis of measurement

The financial statements have been prepared on a going-concern basis, under the historical cost convention. These financial statements are presented in Canadian dollars.

Significant accounting judgments and estimates

The preparation of condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts and presentation of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amount of expenses during the period. Significant areas requiring the use of management estimates relate to the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Avalon Works Corp.
Notes to the Financial Statements
Six Months ended February 28, 2019 and 2018
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Accounting standards issued but not yet effective

The IASB has issued the following new and revised standards and amendments, which are not yet effective.

IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, completing its project to improve the financial reporting of leases. The new standard will replace IAS 17 “Leases” (IAS 17), and it sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. For lessees, IFRS 16 eliminates the classification of leases as either operating or finance leases that exist under IAS 17, and requires recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements under IAS 17. IFRS 16 is to be applied retrospectively, using either a full retrospective approach or a modified retrospective approach, for annual periods beginning on or after January 1, 2019. Early application is permitted, but only if IFRS 15 has also been adopted. The extent of the impact on the Company of adopting IFRS 16 has not yet been determined.

The Company anticipates that the adoption of IFRS 17 will have no material impact on its financial statements given the extent of its current use of leases in the ordinary course of business.

4. Accounts payable

	February 28, 2019	August 31, 2018
	\$	\$
Accounts payable	216,492	204,388

5. Loan

The Company has contracted three loans of 25,000\$ each and one loan of 50,000\$, non-interest bearing and payable in one year from the date of the loans agreements.

6. Equity

Share capital

a) Authorized

Unlimited number of common shares, without nominal or par value

b) Issued and outstanding common shares

	February, 2019		August 31, 2018	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of year	19,742,200	1,000	19,742,200	1,000
Balance, end of period	19,742,200	1,000	19,742,200	1,000

Avalon Works Corp.
Notes to the Financial Statements
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7. Related party disclosures

	February 28, 2019	August 31, 2018
Key management personnel compensation:	\$	\$
Management fees to the director of the Company	0,00	101,700
Amount owing to related parties	February 28, 2019	August 31, 2018
	\$	\$
Accounts payable included management fees	146,900	146,900

8. Financial instruments and financial risk management

The Company's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's policy.

The Company's financial instruments include cash, accounts payable, accrued liabilities and loans. The carrying values of accounts payable, accrued liabilities and loans approximate their fair values due to their relatively short periods to maturity. The carrying value of debentures approximate their fair values as the interest rates are based on market rates.

The Company has exposure to liquidity risk as a result of its financial instruments. Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. 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.

9. Capital Management

The Company's objectives in managing capital is to safeguard its ability to continue its operations, to increase the value of the assets of the business and to provide an adequate return to owners. The Company manages its capital structure and makes adjustments to it in the light of the changes in economic conditions and the risk characteristics of the underlying assets. The order to maintain or adjust capital structure, the Company may issue new shares to improve its financial performance and flexibility.

The Company monitors capital on the basis of the carrying amount of the equity. The Company is not subject to any externally imposed capital requirements.