

Management's Discussion and Analysis of Financial

Fiscal year ended August 31st, 2019

Avalon Works Corp.

The following annual management discussion and analysis ("MD&A") of the financial results is dated January 22, 2020 and reviews the operations of Avalon Works Corp. (the "Company") for the fiscal year ended August 31st, 2019 and should be read in conjunction with the Company's audited financial statements (including notes) for the year ended August 31st, 2019 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 22, 2020. 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 31st, 2019. Management does not expect any revenues until 2020 while working on further financing to support future business endeavours.

For the fiscal year ended August 31st, 2019, the only expenses of the Company were Professional fees as well as Trustee and registration fees as the Company got its filing documents up to date to have its shares relisted. There were no additional expenses as the Company was inactive.

Selected Results of Operations Data

	Aug. 31, 2019 (audited)	Aug. 31, 2018 (audited)
	\$	\$
Revenue	0	0
Expenses	164,566	159,188
Net Loss	164,566	159,188

Issued and outstanding share data

	Aug. 31, 2019 (audited)		Aug. 31, 2018 (audited)	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of the year	19,742,200	1,000	19,742,200	1,000
Issuance of company's common stock	410,000,000	205,000	-	-
Balance, end of the year	429,742,200	206,000	19,742,200	1,000

On December 19, 2019, the Company proceed to a reverse stock split of the total issued and outstanding common shares on a basis of one (1) new common share of the Corporation for a hundred (100) existing common shares of the Corporation in order to represent 4,297,422 common shares of the capital stock of the Corporation.

The Company has 4,297,422 outstanding common shares as at January 22, 2020. During the year, the Company issued 410,000,000 common shares at a price of \$0.0005 per share for a total amount of \$205,000.

Liquidity and capital resources

As at August 31st, 2019, the Company has \$35,622 of current assets.

As at August 31st, 2019, the Company has a working capital deficit of \$163,954. In addition, the accounts payable includes unrelated payables in the amount of \$61,945 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 a part of these liabilities (\$204,388) 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 having its share relisted and be able to enter into a qualifying transaction to have future operations. The Company obtain a full revocation order from the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission on September 24, 2019.

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 31st, 2019, the Company's financial instruments include cash, other receivables and accounts payable and accrued liabilities. The carrying values of cash, 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

For the year ended August 31, 2019, the Company had transactions with related parties. Here are these transactions, as described in note 13 of the financial statements:

	August 31, 2019 (audited)	August 31, 2018 (audited)
Key management transactions:		
Management fees to a company related to the director of the Company	\$ 0,00	\$ 101,700

These management fees were invoiced to the Company by FX Capital Ltd who is owned by Michael Clemann, which is a director of Avalon Works Corp. These management fees are for the administrative functions of the company as posting of meetings, re-organization and archiving of accounting documents, office rental and storage fees as well as professional fees assumed by FX Capital Ltd for Avalon Works Corp during the past three years.

The total amount owed to FX Capital Ltd for the management fees of the years 2016 to 2018 is presented below:

Amount due to related parties

	August 31, 2019 (audited)	August 31, 2018 (audited)
	\$	\$
Accounts payable	146,900	146,900

The Company had also contracted a loan of 25,000\$ from a related party, as the Lender, Rideau Capital Advisor Ltd, is a company owned by Michael Clemann who is a director of Avalon Works Corp. During the year, the loan was repaid in exchange of shares.

Critical Accounting estimates

There have been no changes to the Company's significant accounting judgements and estimates in the year ended August 31st, 2019. The Company's significant accounting judgements and estimates are described in note 4 to the annual audited financial statements for the year ended August 31st, 2019.

Changes in accounting policies

There have been no changes to the Company's accounting policies in the year ended August 31st, 2019. The Company's significant accounting policies are described in note 5 to the annual audited financial statements for the year ended August 31st, 2019.

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 \$35,622 of current 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.