

AUSTON CAPITAL CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
PERIOD ENDED JANUARY 31, 2021

OVERVIEW

The following management discussion and analysis (“MDA”) of the financial position of Auston Capital Corp. (“the Company”), and results of operations prepared on March 22, 2021, should be read in conjunction with the audited financial statements for the year ended July 31, 2020 and the unaudited condensed interim financial statements for the six months ended January 31, 2021. All amounts are stated in Canadian dollars unless otherwise indicated. These financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

The head office, the principal address, and the registered and records office of the Company are located at Suite 608, 409 Granville Street, Vancouver, BC, V6C 1T2.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com or by requesting further information from the Company’s head office in Vancouver.

OVERVIEW

DESCRIPTION OF BUSINESS

The Company was incorporated under the Business Corporations Act (British Columbia) on December 5, 2017. It was incorporated for the purposes of becoming a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4.

The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”) as such term is contemplated in the TSX Venture Exchange Corporate Finance Manual. The Company has not commenced operations and has no assets other than cash held. The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders. The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company as defined under the policies of the Exchange. The Company is required to complete its QT on or before two years from the date the Company’s shares were first listed on the Exchange.

The business of the Company and the completion of a QT involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and

even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period. Additional funds will be required to enable the Company to pursue such an initiative and the Company may be unable to obtain such financing on terms which are satisfactory to it. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

QUALIFYING TRANSACTION

On April 20, 2020, the Company entered into a Letter of Intent ("LOI") with Diagnostic Lab Corporation ("DLC"), a private corporation. Pursuant to the Merger, the Proposed Transaction was an arm's length transaction and, if completed, would have constituted a QT for the Company pursuant to the policies of the TSX-V. See Note 10. On February 24, 2021, the Company announced that the merger agreement dated June 10, 2020 ("Merger Agreement") with Diagnostic Lab Corporation ("DLC"), as announced on April 20, 2020 and June 18, 2020, had been mutually terminated as at February 22, 2021. No deposit or cash advance was made by the Company to DLC in connection with the transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, DLC is obligated to reimburse \$49,106.17 to the Company for its expenses associated therewith.

CHANGES TO THE TSX-V POLICY – CAPITAL POOL COMPANIES

The TSX-V recently made changes recently to its Capital Pool Company program and changes to the TSX-V's Policy 2.4 – Capital Pool Companies, which become effective as at January 1, 2021 (the "New CPC Policy"), the Company intends to implement certain amendments to further align its policies with the New CPC Policy.

Pursuant to the New CPC Policy, in order for the Company to align certain of its policies with the New CPC Policy it is required to obtain the approval of disinterested shareholders of the Company. As a result, the Company will be seeking such approval from its shareholders via written consent for the following matters: (i) to amend the Company's Stock Option Plan (the "Option Plan") to, among other things, become a "10% rolling" plan prior to the Company completing a Qualifying Transaction ("QT"); (ii) to remove the consequences of failing to complete a QT within 24 months of the Company's date of listing on the Exchange (the "Listing Date"); and (iii) to amend the escrow release conditions and certain other provisions of the Company's Escrow Agreement (the "Escrow Agreement"). These proposed amendments (the "Proposed Amendments") are described in further detail below.

Amendments to the Option Plan

The amendments to the Option Plan, will (i) allow the total number of common shares of the Company (the "Shares") reserved for issuance as options not to exceed 10% of the Shares issued and outstanding as at the date of grant, rather than at the closing date of the initial public offering ("IPO"), for options issued prior to the QT; (ii) allow the number of Shares reserved for issuance as options to any individual director or senior officer not to exceed 5% of the Shares outstanding as at the date of grant, rather than at the closing date of the IPO, for options issued prior to the QT; (iii) allow the number of Shares reserved for issuance as option to Consultants, as defined in the Option Plan, not to exceed 2% of the Shares outstanding as at the date of grant, rather than at the closing date of the IPO, for options issued prior to the QT; and (iv) require, prior to the granting of options, the optionee to first enter into an escrow

agreement agreeing to deposit the options, and the Shares acquired pursuant to the exercise of such options, into escrow as described in the escrow agreement.

Removal of the Consequences of Failing to Complete a QT within 24 Months of the Listing Date

Currently, under the Exchange's Policy 2.4 – Capital Pool Companies (as at June 14, 2010) (the "Former Policy") there are certain consequences if a QT is not completed within 24 months of the Listing Date. These consequences include a potential for Shares to be delisted or suspended, or, subject to the approval of the majority of the Company's shareholders, transferring Shares to list on the NEX and cancelling certain seed shares. The New CPC Policy has removed these consequences assuming disinterested shareholder approval is obtained. The Company's 24-month deadline will occur on March 28, 2021.

Amendments to the Escrow Agreement

The Company will ask disinterested shareholders to approve the Company amending the Escrow Agreement in order to allow the Company's escrowed securities to be subject to an 18-month escrow release schedule as detailed in the New CPC Policy, rather than the current 36 month escrow release schedule in the Former Policy.

Other Changes

Under the New CPC Policy, the Company is permitted to implement certain other changes from the Former Policy without obtaining shareholder approval. As a result, the Company wishes to have the option to take advantage of all the changes under the New CPC Policy that do not require shareholder approval, which became effective on January 1, 2021, including, but not limited to:

- (i) increasing the maximum aggregate gross proceeds to the treasury that the Company can raise from the issuance of Shares in the IPO, seed shares and private placement to the new maximum of \$10,000,000, rather than \$5,000,000 which was the limit under the Former Policy;
- (ii) removing the restriction which provided that no more than the lesser of 30% of the gross proceeds from the sale of securities issued by the Company and \$210,000 may be used for purposes other than identifying and evaluating assets or businesses and obtaining shareholder approval for a proposed QT, and implementing the restrictions on the permitted use of proceeds and prohibited payments under the New CPC Policy, under which reasonable general and administrative expenses not exceeding \$3,000 per month are permitted;
- (iii) removing the restriction on the Company issuing new agent's options in connection with a private placement;
- (iv) removing the restriction such that now one person has the ability to act as the chief executive officer, chief financial officer and corporate secretary of the Company at the same time.

The Company intends to seek approval for the Proposed Amendments at its annual general meeting of shareholders to be held on March 23, 2021. The Company believes implementing the proposed changes will improve the Company's position following termination of the transaction with DLC.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of selected financial information compiled from the quarterly interim unaudited financial statements ending January 31, 2020 and 2019:

	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020	Six Months Ended January 31, 2021	Six Months Ended January 31, 2020
Professional fees	\$ 20,835	\$ 3,136	\$ 34,335	\$ 29,535
Transfer agent and filing fees	2,033	550	16,288	4,299
Net Loss for the period	22,263	2,922	50,719	32,344
Working capital	\$ 188,787	\$ 273,825	\$ 188,787	\$ 273,825

RESULTS OF OPERATIONS

For the three months ended January 31, 2021, the Company reported a loss of \$22,263. The loss was mainly comprised of professional fees (relating to merger with DLC) and transfer agent fees. Pursuant to the Merger Agreement, DLC is obligated to reimburse the Company for its expenses associated therewith.

For the three months ended January 31, 2020, the Company reported a loss of \$2,922. The loss was mainly comprised of professional fees and transfer agent fees.

For the six months ended January 31, 2021, the Company reported a loss of \$50,719. The loss was comprised mainly of professional fees and transfer agent and filing fees.

For the six months ended January 31, 2020, the Company reported a loss of \$32,344. The loss was mainly comprised of professional fees and transfer agent fees.

Summary of quarterly results

	January, 31, 2020	Oct 31, 2020	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Net Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Earnings (loss)	(22,263)	(27,196)	(5,719)	(11,865)	(2,922)	(29,422)	(15,472)	(60,413)
Loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.01)

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2021, the Company had working capital of \$188,787.

As a CPC, the Company's routine expenses are limited to general administrative costs such as TSX-V listing and filing fees, audit fees and accounting fees, and transfer agent fees. When the Company has identified a potential Qualifying Transaction, additional legal or other transaction-related costs may be incurred, regardless of whether or not the transaction is ultimately completed. It is uncertain as to when a Qualifying Transaction can be completed as a successful Qualifying Transaction may depend on identifying a viable commercial enterprise, the availability of financing for the resulting issuer, and TSX-V acceptance for filing.

A significant portion of the filing and listing fees relate to the Company's Initial Public Offering and listing on the TSX-V, and as such, are expected to be non-reoccurring. The costs recognized for the grant of the incentive stock options are also expected to be non-reoccurring.

The Company has not paid any dividends on its common shares and has no present intention of paying dividends, as it anticipates that all available funds for the foreseeable future will be used to finance its business activities.

Stock options

On March 28, 2019, the Company granted 620,000 stock options to its directors and officers to acquire 620,000 common shares at a price of \$0.10 per common share, exercisable for a period of 5 years from the date the common shares begin trading on the Exchange.

Share purchase warrants

In March 28, 2019, in connection with the completion of the IPO financing, the Company issued non-transferrable agents warrants to acquire an aggregate of 300,000 common shares expiring 24 months from the date of issuance at an exercise price of \$0.10 per share.

RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel and Directors and companies in which they have control or significant influence over the financial or operating policies. There were no loans to management personnel or Directors, or entities over which they have control or significant influence. Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on a thirty-day advance notice. During the quarter ended January 31, 2021, the Company paid \$2,000 to a private company controlled by a director of the Company for accounting and reporting services.

ADDITIONAL INFORMATION

Off-Balance Sheet Arrangements

As at January 31, 2021, and up to the current date, the Company had no off-balance sheet arrangements.

Legal proceedings

As at the current date management was not aware of any legal proceedings involving the Company.

Outstanding Share Data

As at January 31, 2021 and the date of this MD&A, the Company has the following outstanding securities:

- | | | |
|----|------------------|-----------|
| 1) | Common shares: | 6,200,000 |
| 2) | Agents warrants: | 300,000 |
| 3) | Stock options: | 620,000 |

The outstanding agents' warrants have an exercise price of \$0.10, with an expiry date on March 28, 2021. The stock options have an exercise price of \$0.10, with an expiry date on March 28, 2024.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Refer to Note 2 of the Company's audited financial statements for the year ended July 31, 2020.

SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING POLICIES

A detailed summary of all of the Company's significant accounting policies are included in the audited financial statements for the year ended July 31, 2020 filed on SEDAR.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the 30% of the gross proceeds from the issuance of shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position.

RISKS AND UNCERTAINTIES

The following describes certain risks, events and uncertainties that could affect the Company and that each reader should carefully consider. Please refer to the Company's final prospectus on SEDAR.com for additional risks, events and uncertainties that could affect the Company. External financing may be required to fund the Company's activities primarily through the issuance of common shares. There can be no assurance that the Company will be able to obtain adequate financing.

The securities of the Company should be considered a highly speculative investment. The Company has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Company generates significant revenues in the future, the Company intends to retain its earnings in order to finance further growth. Furthermore, the Company has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

IMPACT OF THE COVID-19 PANDEMIC

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specially identified as "COVID-19" has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Cautionary Note on Forward-Looking Statements

Certain statements contained may constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the Company completing a Qualifying Transaction, and its ability to raise sufficient capital for short-term operations and to fund a Qualifying Transaction.

Readers are cautioned not to place undue reliance on these forward-looking statements. By its nature, forward-looking information involves numerous assumptions, inherent risk, and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, projections, and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events, or such factors which affect this information, except as required by law.