

Management's Discussion and Analysis of Financial

For the year ended August 31, 2020

Avalon Works Corp.

The following management discussion and analysis ("MD&A") of the financial results is dated December 18, 2020 and reviews the operations of Avalon Works Corp. (the "Company") for the fiscal year ended August 31, 2020 and should be read in conjunction with the Company's audited financial statements (including notes) for the year ended August 31, 2020 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 of December 18, 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. These material uncertainties may cast a significant doubt regarding the Company's ability to continue as a going concern.

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, 2020.

For the fiscal year ended August 31, 2020 the only expenses of the Company were Professional fees, Consulting fees, Issuer expenses, Share-based compensation and Business development expenses as the Company got its filing documents up to date to have its share relisted. There were no additional expenses as the company was inactive.

On August 5, 2020, the Company granted 450,000 options to directors, an amount of \$ 14,400 was recorded as share-based compensation expenses

Selected Results of Operations Data

	August 31, 2020 (audited)	August 31, 2019 (audited)
	\$	\$
Revenues	-	-
Expenses	83,053	164,566
Net Loss	83,053	164,566

Summary of shareholders equity

	August 31, 2020 (audited)		August 31, 2019 (audited)	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of the year	429,742,200	206,000	19,742,200	1,000
News shares issued	-	-	410,000,000	205,000
Consolidation of shares 100:1	(425,444,778)	-	-	-
Balance end of year	4,297,422	206,000	429,742,200	206,000

On August 4, 2020, the Company proceeded to the consolidation of its shares at rate of 100: 1 share. During the previous year, the Company issued 410,000,000 common shares at a price of \$0.0005 per share for a total amount of \$205,000.

Summary of shareholders equity (continued)

	August 31, 2020 (audited)		August 31, 2019 (audited)	
	Number	Amount	Number	Amount
		\$		\$
Balance, beginning of the year	-	-	-	-
Grant	450,000	14,400	-	-
Balance end of year	450,000	14,400	-	206,000

Liquidity and capital resources

As at August 31, 2020, the Company has \$247 of current assets.

As at August 31, 2020, the Company has a working capital deficit of \$232,607. In addition, the accounts payable includes unrelated payables in the amount of \$85,954 and payables to a related party in the amount of \$161,900 for the management fees to a director of the company.

The Company has settled on September 1, 2020 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 entering 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 31, 2020, the Company's financial instruments include cash and accounts payable and accrued liabilities. The carrying values of cash, accounts payable and accrued liabilities approximate their fair value due to subsequent events in progress.

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, 2020, the Company had related parties' transactions.

Management fees were invoiced between 2016 to 2018, by a company related to 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 a company related to a director of Avalon Works Corp during the past four years.

The total amount owed to a company related to a director of Avalon Works Corp. for management fees and the Share-based payment are presented below:

Amount due to related parties

	2020	2019
	\$	\$
Key management transactions:		
Consulting fees	15,000	-
Share-based payment (450,000 options)	14,400	-
Amount due to related parties:		
Accounts payable to a company related to the director of the Company	161,900	146,900

In November 2018, the Company contracted a loan of \$25,000 from a related party as the lender is a company owned by a director of the Company. During the year ended August 31, 2019, the loan was repaid in exchange of shares.

On August 5, 2020, the Company granted 450,000 options to directors.

Critical Accounting estimates

There have been no changes to the Company's significant accounting judgements and estimates in the year ended August 31, 2020. The Company's significant accounting judgements and estimates are described in note 4 to the annual audited financial statements for the year ended August 31, 2020.

Changes in accounting policies

There have been no changes to the Company's accounting policies in the year ended August 31, 2020. The Company's significant accounting policies are described in note 5 to the annual audited financial statements for the year ended August 31, 2020.

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 \$247 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.

Events after the reporting year

In September 2020, the Company issued 4,087,750 shares in payment of invoices in the amount of \$204,387.50 including the amount due to a related party of \$146,900

Events after the reporting year (continued)

In November 2020, the Company completed a private placement by convertible debenture in the amount of \$75,000 bearing interest at 10% with a maturity date of August 31, 2021.

In November 2020, the Company has entered into an agreement to acquire Elmtree Gold project in Northeast N.B., \$150,000 bridge financing and minimum \$2,500,000 concurrent financing for the acquisition of two mineral exploration properties.

The Acquisition is anticipated to be completed by an amalgamation (the "Amalgamation") of a wholly owned subsidiary of Avalon ("Sub1"), which will acquire the Property, with another wholly owned subsidiary of Avalon ("Sub2"), which will issue securities pursuant to Bridge Financing and Concurrent Financing (as defined below). In consideration for the Amalgamation, the security holders (other than Avalon) of Sub1 and Sub2 will exchange their securities for like securities of Avalon on a 1-for-1 basis, post-Consolidation (as defined below), upon closing (the "Closing") of the Acquisition.

The Property Acquisition, Bridge Financing, Finder's Fees, and Concurrent Financing (the "Transactions") will be subject to approval of the TSXV in connection with the Company's application for listing on the TSXV. The securities of the Company issued at Closing in connection with the Bridge Financing, Finder's Fees, and Concurrent Financing will not be subject to resale restrictions, in accordance with applicable securities laws, subject to the policies of the TSXV. Upon completion of the Property Acquisition, it is intended that the post-Consolidation common shares of the Company will be listed and posted for trading on the TSXV as a Tier 2 listed mining exploration issuer. The Transactions are expected to result in a "reverse takeover" of Avalon under the policies of the TSXV.

The Consolidation was previously approved by the shareholders of the Company at a shareholders meeting held on December 23, 2019, which is subject to approval of the board of directors of the Company and TSXV approval. To address requirements of TSXV policies, the Company intends to obtain approval for creation of a new control person by way of written approval of shareholders holding over 50% of the issued and outstanding common shares in the capital of the Company.

In regards to the Transactions, the Company specifically confirms that it will not be seeking shareholder approval under the policies of the TSXV for the Transactions as a reverse takeover because such approval is not required under the policies of the TSXV where: (i) the Transaction does not consist of "Related Party Transactions"; (ii) the Company is without active operations as it is not listed on any stock exchange; (iii) the Company is not and will not be subject to a cease trade order and will not otherwise be suspended from trading upon completion of the Transaction; and (iv) shareholder approval of the Transaction is not required under applicable corporate or securities laws.

The net proceeds of the Bridge Financing will be used to pay Transaction-related expenses of the Company. The net proceeds of the Concurrent Financing will be used to fund exploration of the Elmtree Gold Project, and for working capital and general corporate purposes, as will be more specifically described in the Transaction disclosure document of the Company that will be used to describe the Transactions and the Elmtree Gold Project in greater detail, which will be publicly filed on SEDAR at www.sedar.com.

Events after the reporting year (continued)

The Company intends to apply to the TSXV for an exemption from the sponsorship requirements under the policies of the TSXV as a domestic issuer with suitable management, the Initial Technical Report, size of the Concurrent Financing, and a comprehensive disclosure document in respect of the Transactions and will file the required filings in respect thereof.

Under the Letter Agreement, the parties have agreed to issue the Purchase Shares to the Vendors in consideration for the Elmtree Gold Project and geological technical information in connection therewith pursuant to the provisions of Section 85 of the Income Tax Act (Canada) and the Company will complete and necessary documentation and file any forms or elections in connection therewith.

The Letter Agreement will terminate, other than with respect to confidentiality and costs and expenses of the Transactions, upon the earliest day on which one of the following events occurs: (i) written agreement of the parties; (ii) the Closing not having occurred by the outside date of Closing of 5:00 p.m. (Vancouver time) on February 28, 2021 or such later date as the parties may agree upon in writing; or (iii) if any applicable regulatory authority has notified the Company in writing that it will not permit the Property Acquisition to proceed.

The parties have agreed to issue a comprehensive disclosure document and related news releases more fully detailing the Transactions and other pertinent information as required pursuant to the policies of the TSXV as soon as practicably possible, which shall likewise be publicly disseminated and filed under the Company's profile on SEDAR.

As a separate matter from the Transaction, the Company has also entered into an agreement (the "Termination Agreement") with Leede Jones Gable Inc. ("Leede") dated November 12, 2020 for the termination of an agency agreement in consideration for issuance to Leede of 100,000 common share purchase warrants (the "Termination Warrants"), each of which will be exercisable at a price of \$0.50 per common share for a period of 24 months from the date of the Termination Agreement. The Termination Warrants and common shares issuable upon exercise thereof will be subject to a 4-month period resale restriction in accordance with the policies of the TSXV and applicable securities laws.

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.

/s/ Michael Clemann

Director and CEO/CFO