

# **AUSTPRO ENERGY CORPORATION**

## **INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018**

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**Date:** November 29, 2018

#### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three months ended September 30, 2018 and is prepared as at November 29, 2018. This MD&A should be read in conjunction with the Company's audited annual financial statements as at and for the year ended June 30, 2018 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS"), together with the unaudited condensed interim financial statements as at and for the three months ended September 30, 2018 and the notes thereto which were prepared in accordance with IFRS ("Financial Statements"). Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

#### **APPROVAL**

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by this MD&A, and these Financial Statements together with the other financial information included in this MD&A fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in this MD&A. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board of Directors has approved the Financial Statements and MD&A, as well as ensured that management has discharged its financial responsibilities as at November 29, 2018.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

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- The Company's success at completing future financings
- The Company's strategies and objectives
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The positive cash flows and financial viability of new business opportunities
- The Company's ability to manage growth with respect to a new business opportunity
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements.

## **DESCRIPTION OF COMPANY**

Austpro Energy Corporation ("Austpro" or the "Company") is a public company and its shares are listed on the NEX Board of the TSX Venture Exchange (TSXV: AUS.H). The Company was incorporated under the Business Corporations Act (British Columbia) on November 1, 1990. The principal business of the Company is identification and evaluation of business opportunities within which to acquire or invest in. The Company's head office is located 1600 – 609 Granville Street, Vancouver, B.C. V7Y 1C3 and its registered and records office is located at 2200 - 885 West Georgia Street, Vancouver, B.C. V6C 3E8.

The Company's primary operation is the identification, and evaluation of a new business opportunity for the purpose of acquisition or participation. The Company currently has insufficient liquidity to meet its operational requirements for the next fiscal year, and its continued operations are dependent upon its ability to identify, evaluate and successfully negotiate an agreement to acquire an interest in a sustainable/viable business operation. Any acquisition proposed by the Company will be subject to shareholder and regulatory approval. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation, and/or will be able to obtain the financing necessary to support a new business acquisition. These material uncertainties may cast doubt on the Company's ability to continue as a going concern.

## **OUTLOOK**

The Company is currently focused on seeking new business opportunities to either acquire or within which to participate.

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**SELECTED ANNUAL INFORMATION<sup>1</sup>**

Annual information for the last three years is outlined below:

	For the years ended June 30,		
	2018	2017	2016
Revenue	\$ -	\$ -	\$ -
Income (loss) and comprehensive income (loss):			
(i) Total for the year	\$ 29,177	\$ 9,640	\$ (23,753)
(ii) Per share - basic and diluted <sup>(2)</sup>	\$ 0.00	\$ 0.00	\$ (0.00)
Total assets	\$ 9,884	\$ 7,677	\$ 11,848
Total liabilities	\$ 131,169	\$ 158,139	\$ 179,997

<sup>1</sup> Financial information prepared in accordance with International Financial Reporting Standards ("IFRS")

<sup>2</sup> Per share information has been retroactively adjusted to reflect the November 29, 2018 4 old common shares for 1 new common share consolidation

The Company has no business and therefore no sales revenue in each of the fiscal years ended June 30, 2018, 2017 and 2016. In each fiscal year, the Company incurred rent, office costs, transfer agent and regulatory costs, interest expense, accounting and legal costs. The Company was inactive during these three fiscal years and the costs incurred were to maintain the Company as a publicly listed company.

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**SELECTED QUARTERLY INFORMATION<sup>1</sup>**

The following table sets forth certain quarterly financial information of the Company for the eight most recent quarters:

	<b>1st Quarter Ended September 30, 2018</b>	<b>4<sup>th</sup> Quarter Ended June 30, 2018</b>	<b>3rd Quarter Ended March 31, 2018</b>	<b>2nd Quarter Ended December 31, 2017</b>
Income (loss) and comprehensive income (loss)	\$ (12,464)	\$ 78,019	\$ (15,362)	\$ 19,207
Income (loss) and comprehensive income (loss) per share	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ 0.00
	<b>1st Quarter Ended September 30, 2017</b>	<b>4th Quarter Ended June 30, 2017</b>	<b>3rd Quarter Ended March 31, 2017</b>	<b>2nd Quarter Ended December 31, 2016</b>
Income (loss) and comprehensive income (loss)	\$ (14,273)	\$ 57,593	\$ (15,606)	\$ (17,611)
Income (loss) and comprehensive income (loss) per share	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ (0.00)

<sup>1</sup> Financial information prepared in accordance with International Financial Reporting Standards ("IFRS")

<sup>2</sup> Per share information has been retroactively adjusted to reflect the November 29, 2018 4 old common shares for 1 new common share consolidation

The operating results for period detailed in the table above largely reflect the on-going costs of maintaining a public company. The income in the second and fourth quarter of 2018, and the fourth quarter of 2017, relates to gains on the write-off of certain accounts payable.

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**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018**

The following is an analysis of the Company's operating results for the three months ended September 30, 2018, and includes a comparison against the three months ended September 30, 2017.

**Expenses:**

**Exchange gain (loss)** for the three months ended September 30, 2018 was \$nil compared to \$(469) for the same period in the previous year.

**General & administrative expenses** for the three months ended September 30, 2018 were \$864 compared to \$3,341 for the same period in the previous year. The results are reflective of the Company's current minimal operating cost requirements.

**Professional fees** for the three months ended September 30, 2018 were \$988 compared to \$2,006 for the same period in the previous year.

**Rent expense** for the three months ended September 30, 2018 was \$8,098 compared to \$7,605 for the same period in the previous year.

**Transfer agent and filing fees** for the three months ended September 30, 2018 were \$2,514 compared to \$1,790 for the same period in the previous year.

**Net loss and comprehensive loss for the period**

As a result of the above activities, the Company experienced a loss and comprehensive loss for the three months ended September 30, 2018 of \$12,464 compared to loss of \$14,273 for the same period in the previous year, representing a \$1,809 decrease in loss and comprehensive loss.

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#### **RISKS AND UNCERTAINTIES**

##### **Strategic Risk**

The Company presently does not own any properties, business or other related assets of merit and its principal business activity is the identification and evaluation of a new investment and acquisition opportunity. The risks that are inherent to this strategy include, but are not limited to, the ability to identify and acquire worthwhile opportunities, the ability to retain staff and management in order to pursue these opportunities, and the ability to raise the capital necessary to fund these projects. There is no guarantee that the Company will be able to complete an acquisition of or investment in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets or businesses is identified, the Company may find that even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. The Company will be competing with other companies, many of which will have far greater resources and experience than the Company. No assurance can be given that the Company will be successful in raising the funds required for an acquisition.

##### **Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

##### **Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

##### **Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required. These personnel will be central to the Company's ability to locate and develop business opportunities.

##### **Lack of Trading**

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

##### **Volatility of Share Price**

Market prices for shares of companies on the NEX Board of the TSX Venture Exchange are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

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#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company defines capital as consisting of shareholder's equity (comprised of issued share capital, share-based payment reserve and deficit). The Company's objectives when managing capital are to support the identification and acquisition of a new business opportunity and thus the creation of shareholder value as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at September 30, 2018, the Company does not have any long term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three months ended September 30, 2018.

The Company currently has no assets of merit and no material sources of revenue; consequently, the Company remains dependent upon the financial support of its shareholders. The Company has a history of losses and has a shareholders' deficiency. The future success of the Company is dependent on the identification and successful negotiation/acquisition of a sustainable/viable business operation together with the ability to finance the necessary funding, at agreeable terms, to support a business acquisition. As at September 30, 2018, the Company had an accumulated deficit of \$3,658,991 (June 30, 2018 - \$3,646,527).

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The Company has no material revenue producing assets; consequently, the Company has historically financed its operations and met its capital requirements primarily through related party debt, the sale of share capital by way of private placements, and the exercise of stock options and/or warrants.

For the three months ended September 30, 2018, the Company had an opening cash position of \$1,423. During the three months ended September 30, 2018, operating activities consumed cash of \$209 as compared to \$17,926 for the same period in the previous year. At September 30, 2018, the Company has a cash balance of \$382, excluding restricted cash of \$400,000 (June 30, 2018: \$1,423).

On November 29, 2018, the Company consolidated its common shares on a 4 old for 1 new basis (all share and per share amounts in these condensed interim consolidated financial statements reflect the share consolidation). Additionally, on September 27, 2018, the Company closed a non-brokered private placement for proceeds of \$400,000 through the issuance of 8,000,000 subscription receipts (the "Subscription receipts") of the Company at a price of \$0.05 per Subscription Receipt (the "Offering").

Upon release of the Offering proceeds from escrow, management believes that the Company will have sufficient funds from which to finance ongoing operating costs over the next 12 months, however the

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Company has insufficient working capital to fund any identified business acquisition and as such will require additional financing to accomplish the Company’s long term strategic objectives.

The Company’s financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## **SHARE CAPITAL**

### **Authorized**

Unlimited common shares without par value

### **Shares issued and outstanding**

	<b>Number of Common shares</b>
<b>Balance as at June 30, 2017, June 30, 2018 and September 30, 2018</b>	<b>5,737,580</b>

### **Shares consolidation**

On November 29, 2018, the Company consolidated its common shares on a 4 old for 1 new basis (all share and per share amounts in these condensed interim consolidated financial statements reflect the share consolidation).

### **Shares to be issued**

On September 27, 2018, the Company closed a non-brokered private placement for proceeds of \$400,000 through the issuance of 8,000,000 subscription receipts (the “Subscription Receipts”) of the Company at a price of \$0.05 per Subscription Receipt (the “Offering”). The proceeds of the Offering are being held in escrow pending completion of the share consolidation and certain other conditions. Upon completion of the share consolidation and certain other conditions, each Subscription Receipt will automatically convert into one unit of the Company (each, a “Unit”) for no additional consideration. Each Unit will consist of one post-consolidated common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional post-consolidated common share at a price of \$0.06 per share for a period of 12 months from the date the warrants are issued. All securities issued in the Offering have a hold period expiring January 28, 2019.

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#### FINANCIAL INSTRUMENTS

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to the short term nature of the instruments. The Company's other financial instrument, being cash, is classified as amortized cost.

#### (a) Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

##### I. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company had a cash balance of \$382, excluding restricted cash of \$400,000, (September 30, 2017 - \$339) to settle current liabilities of \$143,190. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at September 30, 2018, the Company has no sources of revenue to fund its operating expenditures or fund any identified business acquisition and as such will likely require additional financing to accomplish the Company's long term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern as disclosed in Note 1 to the Financial Statements. Consequently, the Company is currently exposed to a moderate level of liquidity risk.

##### II. Credit risk

Credit risk is the risk that a customer or counterparty will fail to perform an obligation or fail to pay amounts due, causing a financial loss. As at September 30, 2018, the Company had \$3,433 in receivable and as such the Company considers its credit risk to be low.

##### III. Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

##### i. Interest rate risk

The Company considers it to have minimal exposure to interest rate risk as it has no interest-bearing investments or debt.

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ii. Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**(a) Critical accounting estimates**

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Deferred income tax

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

**(b) Critical accounting judgements**

The information about significant areas of judgement considered by management in preparing the financial statements is as follows:

i. Going Concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in Note 1 of the Financial Statements.

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#### ADOPTION OF NEW ACCOUNTING STANDARDS

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended June 30, 2018, except for the adoption, on July 1, 2018, of **IFRS 9, *Financial Instruments: Classification and Measurement*** ("IFRS 9"), which has an initial application as at this date.

#### **IFRS 9, *Financial Instruments*** (new; to replace IAS 39)

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

#### **Financial assets**

The Company will now classify its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

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The following table shows the classification of the Company's financial assets under IFRS 9:

<b>Financial asset</b>	<b>IFRS 9 Classification</b>
Cash	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there will be no impact on the Company's financial statements and no restating of prior periods will be required.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### ***Effective for annual periods beginning on or after January 1, 2019***

IFRS 16: Leases: a new standard that sets out the principle for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of lease as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com).