

# **AUSTPRO ENERGY CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019**

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**Date:** October 28, 2019

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

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Austpro Energy Corporation. ("Austpro" or the "Company") for the year ended June 30, 2019 and is prepared as at October 28, 2019. The MD&A should be read in conjunction with the Company's audited financial statements for the years ended June 30, 2019 and 2018 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (referred to as the "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 October 28, 2019.

## **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:

# **AUSTPRO ENERGY CORPORATION**

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

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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,		
	2019	2018	2017
Revenue	\$ -	\$ -	\$ -
Income (loss) and comprehensive income (loss):			
(i) Total for the year	\$ (392,976)	\$ 29,177	\$ 9,640
(ii) Per share - basic and diluted <sup>2</sup>	\$ 0.04	\$ 0.00	\$ 0.00
Total assets	\$ 116,912	\$ 9,884	\$ 7,677
Total liabilities	\$ 19,678	\$ 131,169	\$ 158,139

<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 active business and therefore no sales revenue in each of the fiscal years ended June 30, 2019, 2018 and 2017. 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. The income in 2018 and 2017 related to gains on the write-off of certain accounts payable.

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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>4th Quarter Ended June 30, 2019</b>	<b>3rd Quarter Ended March 31, 2019</b>	<b>2nd Quarter Ended December 31, 2018</b>	<b>1st Quarter Ended September 30, 2018</b>
Income (loss) and comprehensive income (loss)	\$ (920)	\$ (47,198)	\$ (332,394)	\$ (12,464)
Income (loss) and comprehensive income (loss) per share <sup>2</sup>	\$ (0.00)	\$ (0.00)	\$ (0.04)	\$ (0.00)
	<b>4th Quarter Ended June 30, 2018</b>	<b>3rd Quarter Ended March 31, 2018</b>	<b>2nd Quarter Ended December 31, 2017</b>	<b>1st Quarter Ended September 30, 2017</b>
Income (loss) and comprehensive income (loss)	\$ 78,019	\$ (15,362)	\$ (19,207)	\$ (14,273)
Income (loss) and comprehensive income (loss) per share <sup>2</sup>	\$ 0.01	\$ (0.00)	\$ (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 significant increase in loss for the second quarter ended December 31, 2018 related to stock based compensation expense on incentive stock options granted during the period. The income in the fourth quarter of 2018 related to gains on the write-off of certain accounts payable.

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2019**

The following is an analysis of the Company's operating results for the three months ended June 30, 2019 and includes a comparison against the three months ended June 30, 2018.

**Expenses:**

**Exchange (gain)/loss** for the three months ended June 30, 2019 was \$nil compared to \$939 for the same period in the previous year.

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**General & administrative expenses** for the three months ended June 30, 2019 were \$251 compared to \$1,221 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 June 30, 2019 were \$37,587 compared to \$3,105 for the same period in the previous year. Higher fees for the current period principally related to an accounting and administrative services contract entered into by the Company during the year.

**Rent expense** for the three months ended June 30, 2019 was \$6,000 compared to \$10,104 for the same period in the previous year.

**Transfer agent and filing fees** for the three months ended June 30, 2019 were \$4,587 compared to \$1,954 for the same period in the previous year.

**Write off of accounts payable** for the three months ended June 30, 2019 was \$nil compared to \$95,340 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 June 30, 2019 of \$920 compared to income of \$78,019 for the same period in the previous year, representing a \$78,939 increase in loss and comprehensive loss.

## **RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

The following is an analysis of the Company's operating results for the twelve months ended June 30, 2019 and includes a comparison against the twelve months ended June 30, 2018.

### **Expenses:**

**Exchange (gain)/loss** for the twelve months ended June 30, 2019 was \$nil compared to \$653 for the same period in the previous year.

**General & administrative expenses** for the twelve months ended June 30, 2019 were \$2,477 compared to \$9,339 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 twelve months ended June 30, 2019 were \$114,757 compared to \$10,433 for the same period in the previous year. Higher fees for the current period related to legal and accounting fees associated with the Company's AGM, share consolidation and financing, and to an accounting and administrative services contract entered into by the Company during the current year.

**Rent expense** for the twelve months ended June 30, 2019 was \$39,626 compared to \$34,586 for the same period in the previous year.

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### **FOR THE YEAR ENDED JUNE 30, 2019**

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**Share-based payments expense** for the twelve months ended June 30, 2019 was \$211,495 compared to \$nil for the same period in the previous year. The expense in the current period related to the vesting of 1,300,000 incentive stock options that were granted during the year.

**Transfer agent and filing fees** for the twelve months ended June 30, 2019 were \$24,621 compared to \$11,152 for the same period in the previous year.

**Write off of accounts payable** for the twelve months ended June 30, 2019 was \$nil compared to \$95,340 for the same period in the previous year.

#### **Net loss and comprehensive loss for the year**

As a result of the above activities, the Company experienced a loss and comprehensive loss for the twelve months ended June 30, 2019 of \$392,976 compared to income of \$29,177 for the same period in the previous year, representing a \$422,153 increase in loss and comprehensive loss.

## **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.

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#### **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.

## **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 June 30, 2019, 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 year ended June 30, 2019.

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 June 30, 2019, the Company had an accumulated deficit of \$4,039,503 (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.

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For the year ended June 30, 2019, the Company had an opening cash position of \$1,423. During the year ended June 30, 2019, operating activities consumed cash of \$217,129 as compared to \$69,629 for the previous year. On November 30, 2018, the subscription receipts from the Company's financing that closed on September 27, 2018, automatically converted to 8,000,000 units of the Company, and the \$400,000 in financing proceeds were released to the Company. As a result, at June 30, 2019, the Company has a cash balance of \$102,402 (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 the financial statements reflect the share consolidation).

The Company likely has insufficient funds from which to finance ongoing operating costs over the next 12 months, and 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.

**RELATED PARTIES**

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Summary of expenses incurred:

Nature	Relationship	For the year ended	For the year ended
		June 30, 2019	June 30, 2018
		\$	\$
Share-based payment	Directors of the Company	167,568	-

Amounts due to related parties included in accounts payable and accrued liabilities:

Nature	Relationship	June 30,	June 30,
		2019	2018
Advances	Advances from shareholder	\$ -	\$ 81,892

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**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 and June 30, 2018</b>	<b>5,737,580</b>
Private placement	8,000,000
<b>Balance as at June 30, 2019</b>	<b>13,737,580</b>

On September 27, 2018, the Company completed a financing 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. On November 30, 2018, the subscription receipts automatically converted into 8,000,000 units of the Company. Each unit consisted of one common share and one share purchase warrant, with each share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.06 per share until November 30, 2019.

**Share 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 this report reflect the share consolidation).

**Stock Options**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Subject to a minimum exercise price of \$0.05 per share, the exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 10 years and vest as determined by the board of directors.

On December 5, 2018, the Company granted 1,300,000 stock options to directors, officers and a consultant of the Company. The stock options have an exercise price of \$0.20 and a life of five years. The stock options vested immediately upon grant.

A summary of the Company's stock option activity is as follows:

	<b>Number of Options</b>	<b>Weighted average Exercise Price</b>
<b>Balance, June 30, 2017 and 2018</b>	-	\$ -
Issued	1,300,000	\$ 0.20
<b>Balance, June 30, 2019 and the date of this MD&amp;A</b>	<b>1,300,000</b>	<b>\$ 0.20</b>

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As at the date of this MD&A, stock options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and		Expiry date	Remaining contractual life (years)
	Exercisable	Exercise Price		
December 5, 2018	1,300,000	\$ 0.20	December 5, 2023	4.44
<b>Total</b>	<b>1,300,000</b>	<b>\$ 0.20</b>		<b>4.44</b>

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions may have a material effect on the fair value of the Company's stock options. For the year ended June 30, 2019, the Company recorded \$211,495 (June 30, 2018 - \$nil) in share-based payments as a result of options vested during the period.

**Warrants**

On November 30, 2018, as part of a non-brokered private placement, the Company issued 8,000,000 share purchase warrants, with each warrant entitling the holder to acquire one common share at a price of \$0.06 per share until November 30, 2019.

A summary of the Company's warrant activity is as follow:

	Number of warrants	Weighted Average Exercise price
<b>Balance, as at June 30, 2017 and 2018</b>	-	\$ -
Issued	8,000,000	0.06
<b>Balance, as at June 30, 2019 and the date of this MD&amp;A</b>	<b>8,000,000</b>	<b>\$ 0.06</b>

**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 June 30, 2019, the Company had a cash balance of \$102,402 (June 30, 2018 - \$1,423) to settle current liabilities of \$19,678. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at June 30, 2019, the Company has no sources of revenue to

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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 of 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 one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. As at June 30, 2019, the Company had \$8,884 in receivables due from the Government of Canada 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.

##### **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.

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#### (a) Critical accounting estimates

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

##### i. Share-based payments

The fair value of stock options granted is measured using Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and risk-free interest rate. These estimates will impact the valuation of share-based payments which are recognized.

##### ii. Deferred income tax

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

#### (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.

#### ADOPTION OF NEW ACCOUNTING STANDARDS

##### **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

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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.

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.

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## ***IFRS 15, Revenue from Contracts with Customers***

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The adoption of IFRS 15 had no impact on the Company's financial statements.

## **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.

### **IFRIC 23, Income Taxes**

New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's financial statements.

## **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).