

**AVARONE METALS INC.**  
(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Three and six months ended January 31, 2015 and 2014**

**(Expressed in Canadian Dollars)**

**AVARONE METALS INC.**

**(the “Company”)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Three and six months ended January 31, 2015 and 2014**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The management of Avarone Metals Inc. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim consolidated financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

March 30, 2015

# AVARONE METALS INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position (Unaudited)  
(Expressed in Canadian Dollars)

	January 31, 2015	July 31, 2014
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	23,110	29,619
Amounts receivable	10,400	1,050
Prepaid expenses	21,733	20,751
	55,243	51,420
Equipment	5,293	5,903
	60,536	57,323
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (note 8(c))	240,084	298,851
Loan payable (note 4)	122,021	100,149
	362,105	399,000
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (note 5)	13,114,799	13,085,419
Reserves (note 5)	768,276	768,927
Deficit	(14,184,644)	(14,196,023)
	(301,569)	(341,677)
	60,536	57,323

Nature of operations and going concern (note 1)  
Commitment (note 9)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# AVARONE METALS INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)  
(Expressed in Canadian Dollars)

	Three months ended January 31,		Six months ended January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Expenses:				
General and administrative:				
Consulting fees	23,500	-	23,500	-
Depreciation	305	387	610	773
Exploration and evaluation	2,633	162,200	2,633	162,200
Management fees (note 8)	16,200	16,200	32,400	32,400
Office costs (note 8)	22	1,600	851	3,778
Professional fees (note 8)	558	1,771	558	1,771
Regulatory, transfer agent and shareholder information	4,847	6,581	4,821	8,068
Share-based payments (note 5)	-	8,070	-	9,985
Travel, advertising and promotion	187	30,936	330	31,092
Rent, wages and benefits (note 8)	(959)	53,481	(13,667)	41,066
	47,293	281,226	52,036	291,133
Loss before other items	(47,293)	(281,226)	(52,036)	(291,133)
Other items:				
Foreign exchange loss	(440)	(1,187)	(978)	(1,258)
Finance and other income (note 6)	74,000	-	74,032	1,000
Finance and other costs (note 7)	(7,049)	(11,514)	(10,290)	(12,734)
	66,511	(12,701)	62,764	(12,992)
Net income (loss) and comprehensive income (loss) for the period	19,218	(293,927)	10,728	(304,125)
Basic and diluted loss per share	-	(0.01)	-	(0.01)
Weighted average number of shares	58,686,575	49,415,651	58,475,787	49,135,325

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# AVARONE METALS INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)  
(Expressed in Canadian Dollars)

	Notes	Share capital		Stock options	Deficit	Total shareholders'
		Common shares	Amount	Reserves		deficiency
		#	\$	\$	\$	\$
Balance, July 31, 2013		48,854,999	12,309,550	776,010	(13,159,611)	(74,051)
Share issued pursuant to option agreement	5(b), (c) & (d)	4,220,000	162,200	-	-	162,200
Comprehensive loss for the period		-	-	-	(304,125)	(304,125)
Share-based payments		-	-	9,985	-	9,985
Forfeited options		-	-	(10,956)	10,956	-
Balance, January 31, 2014		53,074,999	12,471,750	775,039	(13,452,780)	(205,991)
Comprehensive loss for the period		-	-	-	(743,243)	(743,243)
Share issued pursuant to option agreement	5(b), (c) & (d)	4,000,000	400,000	-	-	400,000
Bonus shares for loan	4(b)	200,000	10,000	-	-	10,000
Share-based payments		-	-	148,057	-	148,057
Exercise of options	5(d)	990,000	203,669	(154,169)	-	49,500
Balance, July 31, 2014		58,264,999	13,085,419	768,927	(14,196,023)	(341,677)
Comprehensive income for the period		-	-	-	10,728	10,728
Bonus shares for loan	4(c)	60,000	3,000	-	-	3,000
Private placement		500,000	25,000	-	-	25,000
Shares issue costs		-	(1,095)	-	-	(1,095)
Share issued pursuant to option agreement	5(b) & (c)	165,000	2,475	-	-	2,475
Forfeited options		-	-	(651)	651	-
Balance, January 31, 2015		58,989,999	13,114,799	768,276	(14,184,644)	(301,569)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# AVARONE METALS INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)  
(Expressed in Canadian Dollars)

	Six months ended January 31,	
	2015	2014
	\$	\$
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the period	10,728	(304,125)
Items not involving cash:		
Accrued interest	6,872	2,322
Depreciation	610	773
Share-based payments	-	9,985
Financing fees	3,000	10,000
Recovery of rent, wages and benefits	(74,000)	-
Shares issued for exploration and evaluation	2,475	162,200
	(50,315)	(118,845)
Changes in non-cash working capital balances:		
Amounts receivable	(9,350)	-
Prepaid expenses	(982)	864
Accounts payable and accrued liabilities	15,233	36,152
	(45,414)	(81,829)
Financing activities:		
Proceeds from loan	15,000	50,000
Shares issued for cash, net of proceeds	23,905	-
	38,905	50,000
Change in cash and cash equivalents during the period	(6,509)	(31,829)
Cash and cash equivalents, beginning of the period	29,619	41,776
Cash and cash equivalents, end of the period	23,110	9,947

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# **AVARONE METALS INC.**

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

---

## **1. Nature of Operations and Going Concern**

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares are listed for trading on the TSX Venture Exchange ("Exchange") under the symbol "AVM".

The head office and principal address of the Company are located at Suite 507 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 700 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for resource properties are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. At January 31, 2015, the Company had not yet achieved profitable operations, had accumulated losses of \$14,184,644 (July 31, 2014 - \$14,196,023), working capital deficit of \$306,862 (July 31, 2014 - \$348,580) and expects to incur further losses in the development of its business. The Company will be required to raise additional capital in order to maintain its option obligations and fund working capital requirements. While the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing or that such financing will be available on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. These material uncertainties cast significant doubt on the entity's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

## **2. Significant Accounting Policies**

### **(a) Basis of Preparation**

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies and methods of computation applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual audited financial statements as at and for the year ended July 31, 2014.

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended July 31, 2014.

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

## 2. Significant Accounting Policies – (continued)

### (a) Basis of Preparation – (continued)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on March 30, 2015.

### (b) Use of Estimates and Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement and the reported amounts of revenues and expenses during the reporting period. There has been no significant change to the Company's estimation and judgment from those disclosed in note 2 to the audited financial statements for the year ended July 31, 2014.

## 3. Exploration and Evaluation Expenditures

Expenditures incurred by the Company on the Properties are summarized as follows:

	Wildnest and Phantom Lake, Saskatchewan (b)	Rushton Lake, Saskatchewan (c)	McWilliams Lake, Saskatchewan (d)	Total
	\$	\$	\$	\$
Balance July 31, 2013	63,987	-	-	491,531
Acquisition and option payments:				
Cash	5,000	-	-	5,000
Finder's fee	500	-	-	500
Common shares issued	2,200	160,000	400,000	562,200
	7,700	160,000	400,000	567,700
Balance July 31, 2014	71,687	160,000	400,000	1,059,231
Acquisition and option payments:				
Finder's fee	225	-	-	225
Common shares issued	2,250	-	-	2,250
Geophysics	158	-	-	158
	2,633	-	-	2,633
Balance, January 31, 2015	74,320	160,000	400,000	1,061,864

### (a) Wildnest and Phantom Lake Properties

The Company entered into an option agreement with Ray-Dor Resources Ltd. (the "Optionor") dated November 15, 2012, as amended on October 28, 2013, ("Agreement"), pursuant to which it has been granted an option to acquire a 100% interest in seven mineral claims known as the Wildnest and Phantom Lake gold properties located in the Flin Flon area of Manitoba and Saskatchewan (the "Claims"). Under the terms of the Agreement, the Company may earn a 100% interest in the Claims by making cash payments of \$32,500 and issuing 350,000 common shares of the Company over a period of three years. In addition, the Company is required to complete exploration programs totalling \$850,000 over a four year period.



# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

## 3. Exploration and Evaluation Expenditures – (continued)

### (b) Wildnest and Phantom Lake Properties – (continued)

The Claims are subject to a 2% net smelter royalty (NSR), of which, 50% of the NSR or 1% NSR may be acquired by the Company at any time for \$500,000.

Aggregate finders' fees of \$3,250 (paid: 2014 - \$500; 2013 - \$250) and 35,000 common shares (issued: 2015 – 10,000; 2014 – 20,000; 2013 - 5,000) of the Company will be paid in staged payments as property option payments are made.

During the six months ended January 31, 2015, the Company entered into a second amendment agreement with the Optionor to extend the cash payment by one year and the exploration work over a seven year period. In consideration for the extension, the Company will issue an additional 100,000 common shares to the Optionor.

Date	Cash	Common shares	Exploration Expenditures
	\$	#	\$
Upon Exchange approval	2,500 (paid)	50,000 (issued)	-
On or before November 7, 2013	-	200,000 (issued)	-
On or before June 21, 2014	5,000 (paid)	-	-
On or before December 21, 2014	-	150,000 (issued)	-
On or before December 21, 2015	10,000	50,000	16,515
On or before December 21, 2016	15,000	-	50,000
On or before December 21, 2017	-	-	150,000
On or before December 21, 2018	-	-	200,000
On or before December 21, 2019	-	-	433,485
<b>Totals</b>	<b>32,500</b>	<b>450,000</b>	<b>850,000</b>

### (c) Rushton Lake Gold Project

The Company entered into an option agreement dated January 8, 2014 whereby the Company has been granted an option to acquire a 100% interest in the Rushton Lake Gold Project (the "Properties") located in central Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Properties by issuing an aggregate of 4,000,000 common shares, making cash payments of \$300,000 over 30 months and incurring exploration expenditures of \$3,500,000 over four years as follows:

Date	Cash	Common shares	Exploration Expenditures
	\$	#	\$
Upon Exchange approval	-	4,000,000 (issued)	-
On or before July 8, 2015	100,000	-	-
On or before July 8, 2016	200,000	-	-
On or before January 8, 2018	-	-	3,500,000
<b>Totals</b>	<b>300,000</b>	<b>4,000,000</b>	<b>3,500,000</b>

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

---

### 3. Exploration and Evaluation Expenditures – (continued)

(c) Rushton Lake Gold Project - (continued)

The Claims are subject to a 1% net smelter royalty, which can be purchased at any time by the Company for \$1,000,000.

(d) McWilliams Lake Gold Project

The Company entered into an option agreement dated March 25, 2014 whereby the Company has been granted an option to acquire a 100% interest in the McWilliams Lake Gold Project (the "Property") located in central Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Property by issuing an aggregate of 4,000,000 common shares (issued) and incurring exploration expenditures of \$1,000,000 within four years of the signing of the agreement.

### 4. Loans Payable

- (a) The Company entered into a loan agreement dated September 14, 2012, as amended on November 18, 2013, with an arm's length party (the "Lender") in the principal amount of \$50,000. The loan is unsecured, bears interest at 12% per annum and matures on March 15, 2014. In consideration for the loan, the Company issued 200,000 common shares to the Lender at a fair value of \$10,000. During the year ended July 31, 2013, the Company made a partial payment of \$15,000 towards this loan. During the six months ended January 31, 2015, the Company paid or accrued \$2,604 (2014 - \$2,311) in interest on this loan.

The Lender signed an amended letter agreement dated March 15, 2014, granting the Company an extension to the term of the loan to March 15, 2015.

- (b) During the year ended July 31, 2014, the Company obtained an additional \$50,000 loan from the Lender under an agreement dated January 28, 2014, in the principal amount of \$50,000. The loan is unsecured, bears interest at 12% per annum and matures on July 28, 2014. In consideration for the loan, the Company issued 200,000 common shares to the Lender at a fair value of \$10,000. During the six months ended January 31, 2015, the Company paid or accrued \$3,295 (2014 - \$nil) in interest on this loan.

The Lender signed an amended letter agreement dated July 28, 2014, granting the Company an extension to the term of the loan to July 28, 2015.

- (c) During the six months ended January 31, 2015, the Company obtained an additional \$15,000 loan from the Lender under an agreement dated November 27, 2014, in the principal amount of \$15,000. The loan is unsecured, bears interest at 24% per annum and matures on November 27, 2015. In consideration for the loan, the Company issued 60,000 common shares to the Lender at a fair value of \$3,000. During the six months ended January 31, 2015, the Company paid or accrued \$659 (2014 - \$nil) in interest on this loan.

- (d) During the year ended July 31, 2014, the Company received an advance of \$25,600 from the CEO of the Company under a promissory note dated March 14, 2014. The advance including interest of \$346 was fully repaid during the year ended July 31, 2014. The advance was unsecured, bore interest at 12% per annum and had a term of six months.

- (e) During the year ended July 31, 2014, the Company received an advance of \$5,000 from the CEO of the Company under a promissory note dated June 24, 2014. The advance is unsecured, bears interest at 12% per annum and is payable on demand. During the six months ended January 31, 2015, the Company paid or accrued \$314 (2014 - \$nil) in interest on this loan.

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

## 5. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued

At January 31, 2015, there were 58,989,999 issued and fully paid common shares (July 31, 2014 – 58,264,999).

(c) Share Issuances

On December 10, 2014, the Company closed a non-brokered private placement of 500,000 common shares at a \$0.05 per share for gross proceeds of \$25,000. The Company incurred cash issue costs of \$1,095 with respect to the private placement.

On January 17, 2013, the Company closed a non-brokered private placement of 4,600,000 units at \$0.05 per unit for gross proceeds of \$230,000. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each warrant entitles the holder to acquire an additional common share of the Company at an exercise price of \$0.10 per share expiring January 7, 2015.

Share issue costs with respect to the private placement totaled \$19,225 which included finder's fees of \$17,000 and cash issue costs of \$2,225.

(d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options have expiry dates of no later than ten years from the date of grant and vest immediately as determined by the Board of Directors or as to 25.0% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

A summary of the status of the options outstanding follows:

	Number of Options #	Weighted Average Exercise Price \$
Balance, July 31, 2013	3,905,000	0.05
Forfeited	(110,000) <sup>(1)</sup>	0.05
Balance, January 31, 2014	3,795,000	0.05
Granted	795,000	0.05
Exercised	(990,000)	0.05
Forfeited	(15,000)	0.05
Balance, July 31, 2014	3,585,000	0.05
Forfeited	(20,000) <sup>(2)</sup>	0.05
Balance, January 31, 2015	3,565,000	0.05

<sup>(1)</sup> During the six months ended January 31, 2014, the fair value of 110,000 forfeited options of \$10,956 was reclassified from reserves to deficit.

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

## 5. Share Capital and Reserves – (continued)

### (d) Stock Options – (continued)

<sup>(2)</sup> During the six months ended January 31, 2015, the fair value of 20,000 forfeited options of \$651 was reclassified from reserves to deficit.

Stock options outstanding and exercisable at January 31, 2015 are as follows:

Options Outstanding	Exercise Price	Expiry Date	Options Exercisable
#	\$		#
100,000 <sup>(1)</sup>	0.05	August 9, 2016	100,000
50,000 <sup>(1)</sup>	0.05	April 26, 2017	50,000
110,000 <sup>(1)</sup>	0.05	April 17, 2018	110,000
455,000 <sup>(1)</sup>	0.05	May 20, 2018	455,000
75,000 <sup>(1)</sup>	0.05	June 12, 2018	75,000
230,000 <sup>(1)</sup>	0.05	February 4, 2019	230,000
275,000 <sup>(1)</sup>	0.05	February 18, 2019	275,000
555,000 <sup>(1)</sup>	0.05	October 12, 2020	550,000
940,000 <sup>(1)(2)</sup>	0.05	April 26, 2022	940,000
225,000	0.05	January 27, 2024	225,000
550,000	0.05	February 6, 2024	550,000
<b>3,565,000</b>			<b>3,565,000</b>

<sup>(1)</sup> During the year ended July 31, 2014, the exercise price of these options was repriced to \$0.05.

<sup>(2)</sup> During the year ended July 31, 2014, the expiry date of these options was extended to April 26, 2022.

During the year ended July 31, 2014, the Company amended the terms of an aggregate of 3,780,000 stock options previously granted to employees, directors and consultants of the Company. These options had original exercise prices of \$0.10 per share and were re-priced to have an exercise price of \$0.05 per share. In addition, the expiry date of the 1,375,000 options was extended for an additional five years, from April 26, 2017 to April 26, 2022. These modifications resulted in the recognition of additional share-based payments of \$117,565 during the year ended July 31, 2014. The fair values of the modified stock options were estimated using the Black-Scholes option pricing model using the following weighted average assumptions: expected dividend yield – 0%; expected stock price volatility – 146.69%; risk-free interest rate – 1.24%; expected life – 2.63 years; and fair value per option - \$0.03.

During the six months ended January 31, 2015, the Company recorded share-based payments of \$nil (2014 - \$9,985) for the fair value of stock options vested during the period.

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2015	2014
Risk free interest rate	-	1.45%
Expected life of options	-	5.2 Years
Expected dividend yield	-	0%
Expected stock price volatility	-	122.7%
Fair value of options per share	-	\$0.03

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

## 5. Share Capital and Reserves – (continued)

### (e) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

	Warrants	Weighted Average
	#	Exercise Price
		\$
Balance, July 31, 2013 and 2014	3,230,000	0.10
Expired	(2,300,000)	0.10
Balance, January 31, 2015	930,000	0.10

Warrants outstanding at January 31, 2015 are as follows:

Number of Outstanding	Exercise Price	Expiry Date
930,000	\$0.10	July 28, 2016

## 6. Finance and other income

	Three months ended January 31,		Six months ended January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Recovery of rent, wages and benefits	74,000	-	74,000	-
Interest income	-	-	32	-
Small business hiring credit	-	-	-	1,000
	74,000	-	74,032	1,000

## 7. Finance and other costs

	Three months ended January 31,		Six months ended January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financing fee	3,000	10,000	3,000	10,000
Interest expense	3,812	1,231	6,872	2,322
Bank charges	237	283	418	412
	7,049	11,514	10,290	12,734

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

## 8. Related Party Transactions

### (a) Related Party Transactions

- (i) The Company incurred the following transactions with a company that is controlled by an officer of the Company:

	Three months ended January 31,		Six months ended January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Legal fees	318	1,146	318	1,146

- (ii) The Company recovered expenses from companies having directors and officers in common:

	Three months ended January 31,		Six months ended January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Rent, wages and benefits	100,000	25,300	201,200	127,700

### (b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Chief Executive Officer and Chief Financial Officer.

	Three months ended January 31,		Six months ended January 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Short-term benefits – management fees	16,200	16,200	32,400	32,400
Short-term benefits – wages and salaries	6,000	7,200	12,000	14,400
Share-based payments <sup>(1)</sup>	-	6,512	-	7,520
	22,200	29,912	44,400	54,320

<sup>(1)</sup> Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 5(d)).

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and six months ended January 31, 2015 and 2014  
(Unaudited)

---

## 8. Related Party Transactions – (continued)

### (c) Related Party Balances

The following related party amounts were included in accounts payable and accrued liabilities:

	January 31, 2015	July 31, 2014
	\$	\$
Companies having directors and officers in common	-	155,505
Company controlled by a director and officer of the Company	119,070	85,050

Amounts due to related parties are unsecured, non-interest bearing and have no specific repayment terms.

## 9. Commitment

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2020, as follows:

	\$
2015	27,606
2016	55,904
2017	57,284
2018	58,664
2019	60,044
2020	30,367
	289,869

## 10. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at January 31, 2015 and 2014 with all assets located in Canada.