

AVARONE METALS INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

For the Nine Months Ended April 30, 2016 and 2015

(Expressed in Canadian Dollars)

AVARONE METALS INC.

April 30, 2016

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements

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

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed consolidated interim statements of financial position

(Unaudited - prepared by management)

(Expressed in Canadian dollars)

	April 30, 2016	July 31, 2015
ASSETS		
Current		
Cash and cash equivalents	\$ 15,980	\$ 234,029
Accounts receivables	64,935	6,418
Prepaid expenses	22,492	22,721
	103,407	263,168
Equipment	4,217	4,988
Exploration and evaluation assets (Note 4)	458,370	-
	\$ 565,994	\$ 268,156
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 78,303	\$ 55,607
	78,303	55,607
Non-Current liabilities		
Long-term debt - note payable (Note 6)	186,300	156,590
	264,603	212,197
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	14,084,833	13,479,460
Reserves (Note 7)	1,007,551	715,302
Deficit	(14,790,993)	(14,138,803)
	301,391	55,959
	\$ 565,994	\$ 268,156

Nature of operations and going concern (Note 1)

Commitment (Note 10)

Subsequent events (Note 14)

On behalf of the Board:"Marc Levy" Director"Anita Algje" Director

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

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed consolidated interim statements of comprehensive loss

(Unaudited - prepared by management)

For the Nine Months Ended April 30, 2016 and 2015

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2016	2015	2016	2015
Expenses:				
Consulting fee	\$ 82,900	\$ -	\$ 82,900	\$ 23,500
Depreciation	257	-	771	915
Exploration and evaluation (Note 4)	-	305	2,482	2,633
Management fees (Note 9)	22,500	16,200	54,900	48,600
Office costs	35,429	1,350	86,082	2,201
Professional fees	(2,529)	-	10,871	558
Regulatory, transfer agent, and shareholder information	91,583	2,944	109,602	7,765
Share-based payments	294,030	3,423	294,030	3,423
Travel, promotion and shareholder communication	9,564	-	9,564	330
Rent, wages and benefits	-	(13,440)	-	(27,107)
	533,734	10,782	651,202	62,818
Loss before other items	(533,734)	(10,782)	(651,202)	(62,818)
Other items:				
Foreign exchange loss	(70)	2,359	(70)	1,381
Finance and other income	-	62,500	32	136,532
Finance and other costs (Note 8)	(258)	(4,246)	(950)	(14,536)
	(328)	60,613	(988)	123,377
Comprehensive gain (loss) for the period	\$ (534,062)	\$ 49,831	\$ (652,190)	\$ 60,559
Loss per common share, basic and diluted	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ 0.00
Weighted average number of common shares outstanding, basic and diluted	75,478,328	58,989,999	70,766,893	58,643,424

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

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed consolidated interim statements of changes in equity

(Unaudited - prepared by management)

For the Nine Months Ended April 30, 2016 and 2015

(Expressed in Canadian dollars)

	Shares capital		Reserves	Deficit	Total Shareholders' Equity
	Common Shares	Amount	Stock options		
	#	\$	\$	\$	\$
Balance, July 31, 2014	29,132,495	13,085,419	768,927	(14,196,023)	(341,677)
Comprehensive income for the period	-	-	-	60,559	60,559
Bonus shares for loan	60,000	3,000	-	-	3,000
Private placement	500,000	25,000	-	-	25,000
Shares issue costs	-	(1,095)	-	-	(1,095)
Shares issue pursuant to option agreement	165,000	2,475	-	-	2,475
Share-based payments	-	-	3,423	-	3,423
Forfeited options	-	-	(61,959)	61,959	-
Balance as at April 30, 2015	29,857,495	13,114,799	710,391	(14,073,505)	(248,315)
Comprehensive loss for the period	-	-	-	(65,298)	(65,298)
Bonus shares for loan	(30,000)	-	-	-	-
Private placement	36,500,000	367,500	-	-	367,500
Shares issue costs	-	(2,839)	-	-	(2,839)
Shares issue pursuant to option agreement	(82,500)	-	-	-	-
Share-based payments	-	-	4,912	-	4,912
Balance as at July 31, 2015	66,244,995	13,479,460	715,303	(14,138,803)	55,960
Comprehensive loss for the period	-	-	-	(652,190)	(652,190)
Shares issue costs	-	(8,909)	-	-	(8,909)
Shares issue for exploration and evaluation assets (Note 4)	9,000,000	420,000	-	-	420,000
Shares issue pursuant to exercise of options	50,000	2,500	-	-	2,500
Shares issue pursuant to exercise of warrants	3,800,000	190,000	-	-	190,000
Transfer to share capital on exercise options	-	1,782	(1,782)	-	-
Share-based payment	-	-	368,112	-	368,112
Forfeited options	-	-	(74,082)	-	(74,082)
Balance as at April 30, 2016	79,094,995	14,084,833	1,007,551	(14,790,993)	301,391

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

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed consolidated interim statements of cash flows

(Unaudited - prepared by management)

For the Nine Months Ended April 30, 2016 and 2015

(Expressed in Canadian dollars)

	Nine months ended April 30,	
	2016	2015
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the period	\$ (652,190)	\$ 60,559
Items not involving cash:		
Accrued interest	-	10,949
Depreciation	771	915
Share-based payments	294,030	3,423
Forgiveness of debt	-	(136,500)
Share issued for exploration and evaluation	-	2,475
	(357,389)	(55,179)
Changes in working capital:		
Accounts receivables	(58,517)	1,050
Prepaid expenses	229	(888)
Accounts payable and accrued liabilities, net	52,407	46,765
	(363,270)	(8,252)
Investing activities:		
Exploration and evaluation expenditures	(38,370)	-
	(38,370)	-
Financing activities:		
Proceeds from loan	-	15,000
Exercise of options	2,500	-
Exercise of warrants	190,000	-
Share issued for cash, net of issue costs	(8,909)	23,905
	183,591	38,905
Increase (Decrease) in cash and cash equivalents during the period	(218,049)	30,653
Cash, beginning of the period	234,029	29,619
Cash, end of the period	\$ 15,980	\$ 60,272

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

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed consolidated interim statements of cash flows

(Unaudited - prepared by management)

For the Nine Months Ended April 30, 2016 and 2015

(Expressed in Canadian dollars)

	Nine months ended April 30,	
	2016	2015
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the period	\$ (652,190)	\$ 60,559
Items not involving cash:		
Accrued interest	-	10,949
Depreciation	771	915
Share-based payments	294,030	3,423
Forgiveness of debt	-	(136,500)
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	(357,389)	(55,179)
Changes in working capital:		
Accounts receivables	(58,517)	1,050
Prepaid expenses	229	(888)
Accounts payable and accrued liabilities, net	52,407	46,765
	(363,270)	(8,252)
Investing activities:		
Exploration and evaluation expenditures	(38,370)	-
	(38,370)	-
Financing activities:		
Proceeds from loan	-	15,000
Exercise of options	2,500	-
Exercise of warrants	190,000	-
Share issued for cash, net of issue costs	(8,909)	23,905
	183,591	38,905
Increase (Decrease) in cash and cash equivalents during the period	(218,049)	30,653
Cash, beginning of the period	234,029	29,619
Cash, end of the period	\$ 15,980	\$ 60,272

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

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the Nine months ended April 30, 2016 and 2015

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 were listed for trading on the TSX Venture Exchange and on February 3, 2014, the Company changed its name to Avarone Metals Inc. and commenced trading on the Exchange under the symbol "AVM". On January 20, 2016, the Company listed on the Canadian Securities Exchange ("Exchange" or "CSE") while simultaneously delisting from the TSX Venture Exchange. The Company retained its name and symbol and trades on the CSE as Avarone Metals Inc. (CSE-AVM).

The head office and principal address of the Company are located at Suite 610, 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 condensed consolidated interim 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 April 30, 2016, the Company had not yet achieved profitable operations, had accumulated losses of \$14,790,993 (2015 - \$14,138,803), working capital surplus of \$25,104 (2015 - \$207,561 surplus) 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 may cast significant doubt on the entity's ability to continue as a going concern.

These condensed consolidated interim 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 condensed interim consolidated financial statements.

2. Significant Accounting Policies

The condensed consolidated interim financial statements were authorized for issue on June 29, 2016, by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

(a) Basis of Presentation and Consolidation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned inactive Mexican subsidiary, Promotora Minera Dialex S.A. de C.V. ("Dialex"). All intercompany balances and transactions have been eliminated on consolidation.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the Nine months ended April 30, 2016 and 2015

3. Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB or the IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018, however early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the financial statements as the classification and measurement of the Company's financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard.

4. Exploration and Evaluation Expenditures

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

	Wildnest and Phantom Lake, Saskatch ewan (a)	Rushton Lake, Saskatchewan (b)	McWilliams Lake, Saskatchewan (c)	Borys Lake Saksatchewan (d)	Total
	\$	\$	c	\$	\$
Balance forwarded, July 31, 2013	63,987	-	-	-	63,987
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	-	631,687
Geophysics			158	-	158

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the Nine months ended April 30, 2016 and 2015

Common shares issued			2,475	-	2,475
	-	-	2,633	-	2,633
Balance, July 31 2015	71,687	160,000	402,633	-	634,320
Geology			-	2,482	2,482
Balance, April 30, 2016	71,687	160,000	402,633	2,482	636,802

Exploration expenditures have been expensed as incurred in accordance with the Company's accounting policy for exploration and evaluation costs.

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

	Snip & Seebach	Borys Lake Saskatchewan (d)	Moab Lake (e)	Total
	\$	\$	\$	\$
Balance, July 31, 2015	-	-	-	-
Common shares issued	-	120,000	300,000	420,000
Assays	38,370	-	-	38,370
Balance, April 30, 2016	38,370	120,000	300,000	458,370

(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 and November 24, 2014, ("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 225,000 common shares of the Company in accordance with the schedule below. In addition, the Company is required to complete exploration programs totalling \$850,000 over a five year period.

Date	Cash	Common shares	Exploration Expenditures
	\$	#	\$
Upon Exchange approval	2,500 (paid)	25,000 (issued)	-
On or before November 7, 2013	-	100,000 (issued)	-
On or before June 21, 2014	5,000 (paid)	-	-
On or before December 21, 2014	-	75,000 (issued)	-
On or before December 21, 2015	10,000**	25,000**	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
Totals	32,500	225,000	850,000

**As at April 30, 2016, the Company had not made the \$10,000 payment or issued the 25,000 common shares due on December 21, 2015, and the option agreement is in default.

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.

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the Nine months ended April 30, 2016 and 2015

4. Exploration and Evaluation Expenditures – (continued)

Aggregate finders' fees of \$Nil (paid: 2015 - \$3,250;) and Nil common shares (issued: 2015 – 7,500; 2014 - 2,10,000 issued) of the Company will be paid in staged yearly payments as property option payments are made.

(b) 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
Totals	300,000	4,000,000	3,500,000

**As at April 30, 2016, the Company had not made the \$100,000 payment due on July 8, 2015 and the option agreement is in default

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

(c) 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. In order to keep the claims in good standing an annual minimum exploration requirement on the claims must be met. As at April 30, 2016, the work commitment was not met. The Company has applied for relief from the work commitment due to fire hazards in the area.

(d) Borys Lake Project

On November 16, 2015, the Company entered into an agreement with an arms'-length vendor by which the Company can earn a 100% interest in the Borys Lake Lead-Zinc Project, which covers an area of ~2882 hectares in the southwestern edge of the LaRonge Gold Belt, SK. The Company can earn a 100% interest in the property by completing the following; the issuance of 6,000,000 common shares (issued for a fair value of \$120,000) upon TSX Venture Exchange approval, the payment of further cash considerations totaling \$200,000 over the next 3 years and the completion of \$1,000,000 in qualified exploration expenditures within 4 years from the date of approval. The Company received TSX Venture Exchange Approval on November 24, 2015.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the Nine months ended April 30, 2016 and 2015

4. Exploration and Evaluation Expenditures – (continued)

(e) Moab Lake Project

On March 8, 2016, the Company entered into an agreement with an arms' length vendor to acquire a 100% interest in the Moab Lithium Project, which covers an area of 3200 acres of placer claims in the Big Smoky Valley, Nevada, directly adjacent to claims controlled by Ultra Lithium.

The Company can earn a 100% interest in the Moab Lithium Project by completing the following; issuing 3,000,000 common shares (issued for a fair value of \$300,000) upon Exchange approval, paying cash considerations totaling \$200,000 over the next 3 years and completing \$1,000,000 in qualified exploration expenditures within 3 years from the date of approval. A 1% gross overriding royalty has also been granted to the vendors, which can be purchased by the company at any time for \$1-million.

5. Trade payables and accrued liabilities

	April 30, 2016	July 31, 2015
	\$	\$
Trade and other payables	59,765	45,607
Accrued liabilities	10,400	10,000
Amounts due to related parties – Note 8	8,138	-
	78,303	55,607

6. Long term debt – notes payable

	April 30, 2016	July 31, 2015
	\$	\$
Amounts due to related parties (Note 8)	186,300	156,590
	186,300	156,590

7. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued

At April 30, 2016, there were 79,094,995 issued and fully paid common shares (2015 – 66,244,995).

(c) Share Issuances

On November 25, 2015, the Company issued 6,000,000 common shares valued at \$120,000 pursuant to the Borys Lake Property option agreement,

On February 25, 2016, the Company issued 50,000 common shares valued at \$2,500 pursuant to the exercise of options.

On March 1, 2016, 1,750,000 warrants at a price of \$0.05 per share purchase warrant were exercised for a total consideration of \$87,500.

On March 8, 2016, the Company issued 3,000,000 common shares valued at \$300,000 pursuant to the Moab Lake Property option agreement.

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Notes to the Condensed Consolidated Interim Financial Statements

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For the Nine months ended April 30, 2016 and 2015

7. Share Capital and Reserves – (continued)

(c) Share Issuances – (continued)

On April 12, 2016, 800,000 warrants at a price of \$0.05 per share purchase warrant were exercised for a total consideration of \$40,000.

On April 28, 2016, 1,250,000 warrants at a price of \$0.05 per share purchase warrant were exercised for a total consideration of \$62,500.

(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.

On February 23, 2016, the Company issued a total of 150,000 incentive stock options at a price of \$0.05 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant.

On February 25, 2016, the the Company issued a total of 1,775,000 incentive stock options at a price of \$0.115 to consultants, directors and officers of the Company. The options are exercisable for a period of 10 years from the date of grant.

On March 3, 2016, the Company issued a total of 1,000,000 incentive stock options at a price of \$0.12 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant.

On April 25, 2016, the Company issued a total of 750,000 incentive stock options at a price of \$0.11 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant.

A summary of the status of the options outstanding follows:

	Number of Options #	Weighted Average Exercise Price \$
Balance, July 31, 2014	1,792,500	0.05
Granted	1,670,000	0.05
Forfeited	(520,000)	0.05
Balance, July 31, 2015	2,942,500	0.05
Exercised	(50,000)	0.05
Granted	3,675,000	0.05 – 0.12
Forfeited	(1,023,334)	0.05
Balance, April 30, 2016	5,544,166	0.09

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the Nine months ended April 30, 2016 and 2015

7. Share Capital and Reserves – (continued)

(d) Stock Options – (continued)

Stock options outstanding and exercisable at April 30, 2016 are as follows:

Options Outstanding #	Exercise Price \$	Expiry Date	Options Exercisable #
190,000	0.05	May 20, 2018	190,000
100,000	0.05	February 4, 2019	100,000
100,000	0.05	February 18, 2019	100,000
177,500	0.05	October 12, 2020	177,500
162,500	0.05	April 26, 2022	162,500
100,000	0.05	January 27, 2024	100,000
1,064,166	0.05	April 23, 2025	1,064,166
125,000	0.05	February 23, 2026	125,000
1,775,000	0.115	February 25, 2026	1,775,000
1,000,000	0.12	March 3, 2026	1,000,000
750,000	0.11	April 25, 2026	750,000
5,544,166			5,544,166

The weighted average remaining contractual life of outstanding options is 8.85 years.

The fair values of stock options granted were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	April 30, 2016	July 31, 2015
Risk free interest rate	0.89% - 1.18%	1.44%
Expected life of options	10 years	5.75 years
Expected dividend yield	-	-
Expected stock price volatility	223%	158%

(See Note 14)

(e) Warrants

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

	Warrants #	Expiry Date	Weighted Average Exercise Price \$
Balance, July 31, 2013 and 2014	465,000	July 28, 2016	0.20
Granted	18,375,000	June 16, 2017	0.05
Balance, July 31, 2015	18,840,000		0.05
Exercised	(3,800,000)	June 16, 2017	0.05
Balance, April 30, 2016	15,040,000		0.05

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For the Nine months ended April 30, 2016 and 2015

7. Share Capital and Reserves – (continued)

(e) Warrants – (continued)

Warrants outstanding at April 30, 2016 are as follows:

Number of Outstanding	Exercise Price	Expiry Date
465,000	\$0.20	July 28, 2016
14,575,000	\$0.05	June 16, 2017

(See Note 14)

8. Finance and other costs

	April 30, 2016	April 30, 2015
	\$	\$
Financing fee	254	3,000
Interest expense	-	10,949
Bank charges	696	587
	950	14,536

9. Related Party Transactions

(a) Related Party Transactions

The Company has been reimbursed for expenses from companies having directors and officers in common netted directly against the related expense as represented in the statement of comprehensive loss:

Nine months ended April 30,	2016	2015
	\$	\$
Office, rent, administration and wages	65,415	295,600

(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, Officers, Chief Executive Officer and Chief Financial Officer.

Nine months ended April 30,	2016	2015
	\$	\$
Management fees	54,900	48,600
Office administration	18,000	-
Wages and salaries	-	18,000
Legal fees	2,675	1,887
Share-based payment	79,032	1,927
	154,607	70,414

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9. Related Party Transactions

(c) Related Party Balances

The following related party amounts were included in liabilities:

	April 30, 2016	July 31, 2015
	\$	\$
Companies having directors and officers in common - trade	8,138	-
Directors and officers of the Company – long term	186,300	156,590
	<u>194,438</u>	<u>156,590</u>

10. Commitment

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

	\$
2016	55,200
2017	57,960
2018	60,720
2019	63,480
2020	66,240

11. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at April 30, 2016, and 2015 with its assets located primarily in Canada.

12. Financial Instruments and Risk Management

(a) Fair Value of Financial Instruments

As at April 30, 2016, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loan payable. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

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12. Financial Instruments and Risk Management – (continued)

(a) Fair Value of Financial Instruments – (continued)

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at April 30, 2016 and 2015 at fair value and accordingly fair value hierarchy disclosure is not required.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Management considers that risks related to credit are minimal.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at April 30, 2016, the Company had cash and cash equivalents of \$15,980 to settle current liabilities of \$78,303.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company (note 1).

(iii) Market Risk

a. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's accounts payable and accrued liabilities are non-interest bearing. As at April 30, 2016, the Company's interest bearing assets are cash and cash equivalents. The Company maintains a minimum cash balance in its chequing account and transfers funds from its investment account when the need arises. The Company's investments are placed in GICs which interest rates vary depending on the rates offered by the banks when the instruments mature and are automatically renewed. A change of 100 basis points in the interest rates would not be material to the financial statements.

b. Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource properties described in note 5 of these financial statements of which production is not expected in the near future

During the nine month period ended April 30, 2016 and 2015, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

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13. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity (deficiency) as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of resource properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The Company is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

There were no changes in the Company's management of capital during the nine month period ended April 30, 2016.

14. Subsequent Events

a) On May 2, 2016, 200,000 warrants at a price of \$0.05 per share purchase warrant were exercised for a total consideration of \$10,000.

b) On May 5, 2016, 225,000 warrants at a price of \$0.05 per share purchase warrant were exercised for a total consideration of \$11,250.

c) On May 26, 2016, 140,000 options exercisable at \$0.09 per option share and valid for a period of 10 years were granted.

d) On June 7, 2016, 100,000 warrants at a price of \$0.05 per share purchase warrant were exercised for a total consideration of \$5,000.

e) On June 21, 2016, 907,000 warrants at a price of \$0.05 per share purchase warrant were exercised for a total consideration of \$45,375.