

AVARONE METALS INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

For the three months ended October 31, 2017 and 2016

(Expressed in Canadian Dollars)

AVARONE METALS INC.

October 31, 2017

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 interim consolidated financial statements by an entity's auditors.

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - expressed in Canadian dollars)

	October 31, 2017	July 31, 2017
	\$	\$
ASSETS		
Current		
Cash	12,324	33,025
Accounts receivable	1,895	6,590
Prepaid expenses	375	750
	14,594	40,365
Deposit (note 3)	21,242	21,242
Equipment (note 4)	2,847	2,996
	38,683	64,603
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	202,884	190,745
Note payable (notes 7 and 11)	170,100	170,100
Loans payable (note 8)	118,500	93,500
	491,484	454,345
SHAREHOLDERS' DEFICIENCY		
Share capital (note 9)	14,357,567	14,357,567
Share subscriptions (note 8)	20,300	15,300
Reserves (note 9)	719,855	719,855
Deficit	(15,550,523)	(15,482,464)
	(452,801)	(389,742)
	38,683	64,603

Nature of operations and going concern (note 1)

Commitment (note 12)

On behalf of the Board:"Marc Levy" Director"Janet Francis" Director

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

AVARONE METALS INC.

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Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited - expressed in Canadian dollars)

	Three months ended	
	October 31, 2017	October 31, 2016
	\$	\$
Expenses:		
Exploration and evaluation	-	40,000
General and administrative		
Depreciation (note 4)	149	189
Management fees (note 11)	22,500	22,500
Office costs	1,143	2,432
Professional fees	9,660	6,363
Regulatory, transfer agent, and shareholder information	2,375	4,880
Share-based payments (note 11)	-	15,074
Travel, promotion and shareholder communication	1,187	146
Wages and benefits (note 11)	13,982	14,292
Rent (note 11)	7,369	9,720
	58,365	115,596
Loss before other items	(58,365)	(115,596)
Other items:		
Finance and other costs (notes 8 and 10)	(9,694)	(3)
Net loss and comprehensive loss for the period	(68,059)	(115,599)
Loss per common share, basic and diluted	(0.00)	(0.00)
Weighted average number of common shares outstanding, basic and diluted	84,377,495	82,277,495

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

AVARONE METALS INC.

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Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Unaudited - expressed in Canadian dollars)

Periods ended October 31, 2017 and 2016

	Notes	Share capital		Share subscriptions	Reserves	Deficit	Total shareholders' deficiency
		Common	Amount		Stock options and warrants		
		shares					
		#	\$		\$	\$	\$
Balance as at July 31, 2016		82,277,495	14,305,067	-	1,175,859	(15,630,896)	(149,970)
Share-based payments		-	-	-	15,074	-	15,074
Forfeited options		-	-	-	(3,599)	3,599	-
Loss for the period		-	-	-	-	(115,599)	(115,599)
Balance as at October 31, 2016		82,277,495	14,305,067	-	1,187,334	(15,742,896)	(250,495)
							-
							-
							-
Balance as at July 31, 2017		84,377,495	14,357,567	15,300	719,855	(15,482,464)	(389,742)
Shares to be issued for loan agreement	8	-	-	5,000	-	-	5,000
Loss for the period		-	-	-	-	(68,059)	(68,059)
Balance as at October 31, 2017		84,377,495	14,357,567	20,300	719,855	(15,550,523)	(452,801)

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

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - expressed in Canadian dollars)

	Three months ended	
	October 31, 2017	October 31, 2016
	\$	\$
Cash used in:		
Operating activities:		
Net loss for the year	(68,059)	(115,599)
Items not involving cash:		
Depreciation	149	189
Share-based payments	-	15,074
Accrued interest	9,694	-
Loan fees	5,000	-
	(53,216)	(100,336)
Changes in working capital:		
Accounts receivable	4,695	1,518
Prepaid expenses	375	496
Accounts payable and accrued liabilities	2,445	8,256
	(45,701)	(90,066)
Financing activities:		
Proceeds from loans	25,000	31,000
	25,000	31,000
Decrease in cash during the period	(20,701)	(59,066)
Cash, beginning of the period	33,025	67,908
Cash, end of the period	12,324	8,842

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AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Three months ended October 31, 2017 and 2016

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 ("TSX-V") 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-V. The Company retained its name and symbol 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 and evaluating resource properties and has not yet identified any properties that contain established mineral reserves that are economically recoverable. The Company's ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of 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 October 31, 2017, the Company had not yet achieved profitable operations, had accumulated losses of \$15,550,523 (July 31, 2017 - \$15,482,464), a working capital deficit of \$476,890 (July 31, 2017 - \$413,980) and expects to incur further losses in the development of its business. The Company will be required to raise additional capital in order to fund future exploration and evaluation activity and meet its 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 consolidated interim financial statements.

2. **Significant accounting policies and basis of preparation**

These condensed consolidated interim financial statements were authorized for issue by the directors of the Company on December 22, 2017.

Statement of compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended July 31, 2017.

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended July 31, 2017.

AVARONE METALS INC.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Three months ended October 31, 2017 and 2016

3. Deposit

Deposit consists of a security deposit on a long term lease.

4. Equipment

	Office equipment
	\$
Costs:	
Balance, October 31, 2017 and July 31, 2017	42,314
Depreciation:	
Balance, July 31, 2017	31,020
Depreciation	149
Balance, October 31, 2017	31,169
Impairment:	
Balance, October 31, 2017 and July 31, 2017	8,298
Net Book Value:	
October 31, 2017	2,847
July 31, 2017	2,996

5. Exploration and Evaluation Expenditures

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

	Wildnest and Phantom Lake, Saskatchewan (a)	Rushton Lake, Saskatchewan (b)	McWilliams Lake, Saskatchewan (c)	Borys Lake, Saskatchewan (d)	Moab Lake, Nevada (e)	Total
	\$	\$	\$	\$	\$	\$
Balance, July 31, 2016	71,687	160,000	402,633	122,482	419,388	1,176,190
Assays and claim costs	5,011	-	-	-	40,500	45,511
Termination of agreement	-	(160,000)	(402,633)	(122,482)	(459,888)	(1,145,003)
Balance, July 31, 2017 and October 31, 2017	76,698	-	-	-	-	76,698

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

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Three months ended October 31, 2017 and 2016

5. Exploration and Evaluation Expenditures – (continued)

(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 by completing the following: making cash payments of \$32,500 (\$7,500 made) over the next four years, issuing 450,000 common shares (400,000 shares issued) of the Company over the next three years, and in accordance with the schedule below. In addition, the Company is required to completing exploration programs totalling \$850,000 over a five year period. The option agreement is in default since December 2015 as required payments were not made. As at October 31, 2017, the Company has made payments of \$7,500, issued 400,000 common shares, and incurred exploration expenditures of \$16,515.

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
Totals	32,500	450,000	850,000

*As at October 31, 2017, the Company had not made the \$10,000 payment or issued the 50,000 common shares due on December 21, 2015, and the option agreement is in default.

** On December 21, 2016 the Company failed to make the cash payment of \$15,000 or incur \$50,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.

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.

(b) Rushton Lake Gold Property

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 Property (the “Property”) located in central Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Property by completing the following: issuing an aggregate of 4,000,000 common shares (issued), making cash payments of \$300,000 over 30 months and incurring exploration expenditures of \$3,500,000 over four years. The option agreement is in default since July 8, 2015 as required payments were not made.

During the period ended October 31, 2017, the Company decided not to pursue further exploration in this property and is planning to terminate the option agreement.

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Three months ended October 31, 2017 and 2016

5. Exploration and Evaluation Expenditures – (continued)

(c) McWilliams Lake Gold Property

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 Property (the "Property") located in 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.

During the period ended October 31, 2017, the Company decided not to pursue further exploration in this property and is planning to terminate the option agreement.

(d) Borys Lake Property

On November 16, 2015, the Company entered into an agreement by which the Company can earn a 100% interest in the Borys Lake Lead-Zinc property, located in Saskatchewan.

Under the terms of the agreement, 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-V approval, the payment of further cash considerations totaling \$200,000 over the next three years and the completion of \$1,000,000 in qualified exploration expenditures within four years from the date of approval. The Company received TSX-V approval on November 24, 2015. During the year ended July 31, 2017, the agreement was terminated.

(e) Moab Lake Property

On March 8, 2016, the Company entered into an agreement to acquire a 100% interest in the Moab Lake Lithium Project, which covers an area of 3200 acres of placer claims in the Big Smoky Valley, Nevada.

Under the terms of the agreement, the Company can earn a 100% interest in the Moab Lake Lithium Project by completing the following: issuing 3,000,000 common shares (issued for a fair value of \$300,000) upon Exchange approval and paying cash considerations totaling \$200,000 over the next three years: \$75,000 on or before six months upon Exchange approval and \$125,000 on or before 36 months upon Exchange approval. A 1% gross overriding royalty has also been granted to the vendor, which can be purchased by the Company at any time for \$1,000,000.

During the period ended October 31, 2017, the Company decided not to pursue further exploration in this property and is planning to terminate the option agreement.

6. Accounts payable and accrued liabilities

	October 31, 2017	July 31, 2017
	\$	\$
Accounts payable	20,945	41,166
Due to related parties (note 12)	115,563	91,875
Accrued liabilities	62,456	54,794
Other payables	3,920	2,910
	202,884	190,745

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Notes to the Condensed Consolidated Interim Financial Statements

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Three months ended October 31, 2017 and 2016

7. Note payable

	October 31, 2017	July 31, 2017
	\$	\$
Amounts due to related parties (Note 11)	170,100	170,100

The note payable is unsecured, due on demand and bears no interest.

8. Loans payable

	October 31, 2017	July 31, 2017
	\$	\$
Promissory notes	101,500	76,500
Demand loan	17,000	17,000
	118,500	93,500

During the year ended July 31, 2017, the Company issued two promissory notes. The first promissory note, for \$60,000, was due August 8, 2017, and bore interest at 18% up to August 8, 2017. As the note was unpaid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at October 31, 2017 is \$8,739 and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender \$12,000 in common shares of the Company. The shares have not been issued as at October 31, 2017.

The second promissory note, for \$16,500, was due September 30, 2017 and bore interest at 18% up to September 30, 2017. As the note was unpaid by the due date, the interest rate increased to 24% from that date forward. Total interest accrued on the promissory note at October 31, 2017 is \$1,834 and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender \$3,300 in common shares of the Company. The shares have not been issued as at October 31, 2017.

A third promissory note for \$25,000 was issued on October 10, 2017, bears interest at 18% and is due April 10, 2018. If the note is not paid by the due date the interest rate will increase to 24% from that date forward. Total interest accrued on the promissory note at October 31, 2017 is \$241 and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender \$5,000 in common shares of the Company. The shares have not been issued as at October 31, 2017. This amount was recorded as loan fees in the condensed consolidated interim statement of comprehensive loss for the period ended October 31, 2017.

The demand loan is unsecured, non interest bearing and is due on demand.

9. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued

At October 31, 2017, there were 84,377,495 issued and fully paid common shares (July 31, 2017 – 84,377,495)

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Three months ended October 31, 2017 and 2016

9. Share Capital and Reserves – (continued)

(c) 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% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

Stock option transactions are as follows:

	Number of Options #	Weighted Average Exercise Price \$
Balance, July 31, 2016	7,009,166	0.10
Granted	2,730,000	0.05
Forfeited	(4,565,000)	0.11
Balance, July 31, 2017 and October 31, 2017	5,174,166	0.05

Stock options outstanding and exercisable at October 31, 2017 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 25, 2025	1,064,166
125,000	0.05	February 23, 2026	125,000
425,000	0.08	July 8, 2026	425,000
275,000	0.05	September 19, 2026	275,000
2,455,000	0.05	December 7, 2026	2,455,000
5,174,166			5,174,166

The weighted average remaining contractual life of outstanding options is 7.68 years (July 31, 2017: 7.93 years).

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

Periods ending	October 31, 2017	October 31, 2016
Risk free interest rate	-	0.98%
Expected life of options	-	10 years
Expected dividend yield	-	-
Expected stock price volatility	-	223%

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Three months ended October 31, 2017 and 2016

9. Share Capital and Reserves – (continued)

(d) Warrants

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

Share purchase warrant transactions are as follows:

	Warrants	Expiry Date	Weighted Average Exercise Price
	#		\$
Balance, July 31, 2016	14,017,500		0.05
Expired	(13,142,500)	June 16, 2017	0.05
Granted	1,050,000	July, 31 2018	0.05
Balance, July 31, 2017 and October 31, 2017	1,925,000		0.08

Warrants outstanding at October 31, 2017 are as follows:

Warrants Outstanding	Exercise Price	Expiry Date
875,000	\$0.12	July 6, 2018
1,050,000	\$0.05	July 31, 2018
1,925,000		

The weighted average remaining contractual life of the warrants outstanding is 0.73 years.

(e) Reserves

Stock options and warrants reserves represent the fair value of stock options or warrant until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(f) Share subscriptions

Share subscriptions include shares to be issued for loans payable (note 8).

10. Finance and other costs

Period ending	October 31, 2017	October 31, 2016
	\$	\$
Interest expense (note 9)	4,694	3
Loan fees (note 9)	5,000	-
	9,694	3

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(Unaudited - expressed in Canadian dollars)

Three months ended October 31, 2017 and 2016

11. 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:

	October 31, 2017	October 31, 2016
Rent	\$ -	\$ 9,750

(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.

Period ending	October 31, 2017	October 31, 2016
	\$	\$
Management fees	22,500	22,500
Salaries and benefits	2,314	2,314
	24,814	24,814

(c) Related Party Balances

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

	October 31, 2017	July 31, 2017
	\$	\$
A company controlled by an officer of the Company	285,663	261,975

12. Commitment

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

	\$
2018	62,100
2019	64,860
2020	33,120
	160,080

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Three months ended October 31, 2017 and 2016

13. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at October 31, 2017 and July 31, 2017 with its assets located primarily in North America.

14. Financial Instruments and Risk Management

(a) Fair Value of Financial Instruments

As at October 31, 2017, the Company's financial instruments consist of cash, accounts receivable, deposit, accounts payable, note payable and loans 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.

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at October 31, 2017 and July 31, 2017 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 on 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. Accounts receivable consists mostly of rent due from sub-lease tenants. Management considers that credit risks related to cash are minimal and credit risks related to accounts receivable are moderate due to the potential of non-payments.

(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 October 31, 2017, the Company had cash of \$12,324 to settle current liabilities of \$491,484.

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).

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Three months ended October 31, 2017 and 2016

14. Financial Instruments and Risk Management – (continued)

(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 notes payable are non-interest bearing. The loans payable bear a fixed interest rate. Management considers interest rate risk minimal.

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 period ended October 31, 2017, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

15. 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' 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 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 period ended October 31, 2017.

16. Subsequent Events

On December 3, 2017, the Company issued a total of 950,000 incentive stock options at a price of \$0.05 to directors, officers, employees and consultants of the Company. The options are exercisable for a period of 10 years from the date of grant.