AVARONE METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended October 31, 2017 and 2016

Avarone Metals Inc. (the "Company" or "Avarone") incorporated under the laws of the Province of British Columbia on November 3, 1993, is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. It presently holds, or has the right to acquire a 100% interest in the Wildnest and Phantom Lake gold properties, Rushton Lake gold properties and McWilliams Lake gold properties located in Saskatchewan (the "Properties") in addition to the Moab Lake Lithium Property in Nevada. In addition to the Company's ongoing work program on the Properties, it continues to actively evaluate new potential projects. On January 20, 2016, the Company listed on the Canadian Securities Exchange ("Exchange") while simultaneously delisting from the TSX Venture Exchange. The Company's shares are listed for trading on the Exchange under the symbol "AVM".

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three months ended October 31, 2017, and 2016 and is prepared as of December 22, 2017, in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the three months ended October 31, 2017, and 2016, and audited consolidated financial statements for the years ended July 31, 2017, and 2016, which were prepared in accordance with IFRS.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Cautionary Note Regarding Forward-Looking Information

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its planned exploration activities, the adequacy of its financial resources and statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes

and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Description of Business

The Company is a junior resource exploration company engaged in the acquisition, exploration and development of precious metals and energy based resource 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. 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.

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.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Mineral property exploration is a speculative business and involves a high degree of risk. There is a probability that the expenditures made by the Company in exploring its properties will not result in discoveries of commercial quantities of minerals. A high level of ongoing expenditures is required to locate and estimate ore reserves, which are the basis to further the development of a property. Capital expenditures to support the commercial production stage are also very substantial.

Matters related to the principal risks faced by the Company have been disclosed in previous MD&As filed on SEDAR and continue to apply to the activity and business of the Company.

Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarters ended	Total Revenues ($)	Net earnings (loss) (Restated*) ($)	Earnings (loss) per share ($)
October 31, 2017	Nil	(68,059)	(0.00)
July 31, 2017	Nil	12,409	(0.00)
April 30, 2017	Nil	(59,186)	(0.00)
January 31, 2017	Nil	(171,226)	(0.00)
October 31, 2016	Nil	(115,599)	(0.00)
July 31, 2016	Nil	(442,338)*	(0.01)
April 30, 2016	Nil	(881,331)*	(0.01)
January 31, 2016	Nil	(185,548)*	(0.00)

There are no general trends regarding the Company's quarterly results and the Company's business of resource exploration is not seasonal, as it can work on its properties on a year-round basis subject to the availability of sufficient funds. Quarterly results can vary significantly depending mainly on the Company's acquisition of mineral rights and exploration activities and whether the Company has granted any stock options or modified the terms of stock options. These are the factors that account for material variations in the Company's quarterly net losses, none of which are predictable. Higher exploration and evaluation expenditures are a major factor in the net loss for the quarters ended July 31, 2016, April 30, 2016, and January 31, 2016 as a result of the acquisition of interests in the Borys Lake property and the Moab Lithium Project.

The Company leases its office space and charges accounting, administration and other office costs to other reporting issuers with common directors and/or officers. The other major factor which can cause a material variation in net loss on a quarterly basis is the change in this arrangement with related companies.

Restatement of Prior Period Results of Operations

The comparative figures for the three months ended January 31, 2016, April 30, 2016 and July 31, 2016 have been restated to reflect the correct application of the Company's accounting policy whereby exploration and evaluation expenditures incurred prior to the determination of commercially viable mineral resources, the feasibility of mining operations and a positive development decision, are expensed as incurred. During the three months ended January 31, 2016, $120,000 of exploration and evaluation expenditures were incorrectly capitalized as exploration and evaluation assets. During the three months ended April 30, 2016, $338,370 of exploration and evaluation expenditures were incorrectly capitalized as exploration and evaluation assets and $75,000 of exploration and evaluation expenditures were incorrectly classified as consulting fees. In addition, during the three months ended April 30, 2016, costs of $8,909 were incorrectly charged to share capital as share issue costs. The adjustments to correct these errors were previously reflected in the quarter ended July 31, 2016 and the quarterly results have now been restated to reflect the adjustments in the correct quarter.

Three Months Ended October 31, 2017

During the quarter ended October 31, 2017, the Company reported a net loss of $68,059 compared to a net loss of $115,599 during the quarter ended October 31, 2016, representing a decrease in loss of $47,540. The decrease in loss is primarily attributable to the following:

- A decrease of $40,000 in exploration and evaluation costs. During the quarter ended October 31, 2017, exploration and evaluation expense was $Nil compared to $40,000 for the three months ended October 31, 2016. The decrease is related to the fact that the Company is currently conserving cash and is unable to expend funds on exploration and evaluation activity.

- A decrease of $15,074 in share-based payments. Share-based payments are $Nil for the quarter ended October 31, 2017 compared to $15,074 for the quarter ended October 31, 2016. The decrease is related to the issue of $275,000 stock options granted in the quarter ended October 31, 2016. No options were granted in the current quarter.

These decreases were partially offset by an increase of $9,691 in finance and other costs. Finance and other costs were $9,694 for the period ended October 31, 2017, compared to $3 for the same period in the prior year. The increase is related to the interest on loans received in August, September and interest and loan fees incurred on the loan received in October 2017.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. The Company has financed its operations and met its capital requirements primarily through the issuance of capital stock by way of private placements and short-term loans. As at October 31, 2017, the Company had a working capital deficiency of $476,890 compared to $413,980 at July 31, 2017.

On October 10, 2017, the Company issued a promissory note for $25,000. The note is unsecured, bears interest at 18% is due on 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 consolidated statement of comprehensive loss for the period ended October 31, 2017.

On July 31, 2017, the Company closed a non-brokered private placement of 2,100,000 units at $0.025 per unit for gross proceeds of $52,500. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.05 per share for a period of 12 months.

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 not paid 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 not paid 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.

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

As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of vested stock options and share purchase warrants. See "Outstanding Share Data". However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company needs to raise additional capital to fund general working capital requirements, exploration commitments and other obligations for the next twelve months. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company has not had a history of operations or earnings and its overall success will be affected by its current or future business activities. The continued operations of the Company and the recoverability of expenditures incurred to earn an interest in resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties. See "Risk Factors".

Transactions with Related Parties

During the three months ended October 31, 2017, and 2016, the Company entered into the following transactions with related parties:

The Company was reimbursed expenses from companies having officers in common netted directly against the related expense:

Period ended October 31,	2017	2016
	$	$
Office, rent, administration and wages recovered from Norsemont Capital Inc.	-	9,750

Compensation of Key Management Personnel

The Company's key management personnel have 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.

Name and Relationship to Company	Transaction	Three months ended October 31, 2017	Three months ended October 31, 2016
		$	$
Mosam Ventures Inc., a company controlled by a current director and officer	Management Fees	22,500	22,500
Marc Levy, Chief Executive Officer	Benefits	2,314	2,314

The following related party amounts were included in liabilities:

	October 31, 2017	July 31, 2017
	$	$
Mosam Ventures Inc.	285,663	261,975

Critical Accounting Estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements relate to going concern assessments, share-based payments and taxes.

Accounting Standard Issued but not yet Adopted:

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. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16, Leases
In January 2016, the IASB issued IfRS 16 which specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all lease unless the lease term is twelve months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

Financial Instruments and Other Instruments

(a) Fair Value of Financial 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:

(a) 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.

(b) 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. See Note 1 to the Company's condensed consolidated interim financial statements as at and for the three months ended October 31, 2017, for further discussions on liquidity.

(c) Market Risk

(i) 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.

(ii) 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 of which production is not expected in the near future.

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

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 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 three months ended October 31, 2017.

Outstanding Share Data

As at December 22, 2016, the Company had 84,377,495 common shares outstanding. As at the same date, there were 1,925,000 warrants outstanding at exercise prices from $0.05 to $0.12 per share. In addition, 6,124,166 stock options were outstanding at exercise prices from $0.05 to $0.08 per share.

Stock options outstanding and exercisable at December 22, 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
950,000	0.05	December 3, 2027	950,000
6,124,166			6,124,166

Warrants outstanding at December 22, 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		

Additional Disclosure

Additional disclosures pertaining to the Company, including its most recent management information circular, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com or on the Company's website at www.avarone.com.