

**AVARONE METALS INC.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

For the nine months ended April 30, 2018 and 2017

(Expressed in Canadian Dollars)

# **AVARONE METALS INC.**

**April 30, 2018**

## **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 - expressed in Canadian dollars)

	April 30, 2018	July 31, 2017
	\$	\$
<b>ASSETS</b>		
Current		
Cash	21,675	33,025
Accounts receivable	2,749	6,590
Prepaid expenses	1,126	750
	25,550	40,365
Deposit (note 3)	21,242	21,242
Equipment (note 4)	2,548	2,996
	49,340	64,603
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	243,486	190,745
Note payable (notes 7 and 11)	170,100	170,100
Loans payable (note 8)	121,500	93,500
	535,086	454,345
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (note 9)	14,472,867	14,357,567
Share subscriptions (note 8)	24,300	15,300
Reserves (note 9)	798,697	719,855
Deficit	(15,781,610)	(15,482,464)
	(485,746)	(389,742)
	49,340	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.**

(An Exploration Stage Company)

**Condensed Consolidated Interim Statements of Comprehensive Loss**

(Unaudited - expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017
	\$	\$	\$	\$
Expenses:				
Exploration and evaluation	-	-	-	45,511
General and administrative				
Depreciation (note 4)	148	184	448	562
Management fees (note 11)	29,044	22,544	74,044	67,544
Office costs	1,474	159	3,597	5,198
Professional fees	7,498	12,235	23,158	33,362
Regulatory, transfer agent, and shareholder information	4,560	2,771	14,353	11,430
Share-based payments (note 11)	41,185	-	88,684	111,009
Travel, promotion and shareholder communication	4,838	451	6,304	1,141
Wages and benefits (note 11)	12,867	12,696	39,712	41,805
Rent (note 11)	7,256	5,467	22,201	25,763
	108,870	56,507	272,501	343,325
Loss before other items	(108,870)	(56,507)	(272,501)	(343,325)
Other items:				
Finance and other costs (notes 8 and 10)	(6,538)	(2,679)	(26,645)	(2,686)
<b>Net loss and comprehensive loss for the period</b>	<b>(115,408)</b>	<b>(59,186)</b>	<b>(299,146)</b>	<b>(346,011)</b>
<b>Loss per common share, basic and diluted</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>85,442,476</b>	<b>82,277,495</b>	<b>84,769,742</b>	<b>82,277,495</b>

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 Changes in Shareholders' Deficiency**

(Unaudited - expressed in Canadian dollars)

Periods ended April 30, 2018 and 2017

	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		-	-	-	111,009	-	111,009
Forfeited options		-	-	-	(482,034)	482,034	-
Loss for the period		-	-	-	-	(346,011)	(346,011)
Balance as at April 30, 2017		82,277,495	14,305,067	-	804,834	(15,494,873)	(384,972)
<hr/>							
Balance as at July 31, 2017		84,377,495	14,357,567	15,300	719,855	(15,482,464)	(389,742)
Private placement	9	1,000,000	65,000	-	-	-	65,000
Exercise of warrants for cash	9	400,000	20,000	-	-	-	20,000
Exercise of stock options	9	409,166	20,458	-	-	-	20,458
Reallocation of fair value of stock options exercised	9	-	9,842	-	(9,842)	-	-
Share-based payments	9	-	-	-	88,684	-	88,684
Shares to be issued for loan agreement	8	-	-	9,000	-	-	9,000
Loss for the period		-	-	-	-	(299,146)	(299,146)
Balance as at April 30, 2018		86,186,661	14,472,867	24,300	798,697	(15,781,610)	(485,746)

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)

	Nine months ended	
	April 30, 2018	April 30, 2017
	\$	\$
Cash used in:		
Operating activities:		
Net loss for the year	(299,146)	(346,011)
Items not involving cash:		
Accrued interest	17,645	-
Depreciation	448	562
Loan fees	9,000	-
Share-based payments	88,684	111,009
	(183,369)	(234,440)
Changes in working capital:		
Accounts receivable	3,841	14,140
Prepaid expenses	(376)	175
Accounts payable and accrued liabilities	35,096	66,683
	(144,808)	(153,442)
Financing activities:		
Exercise of warrants	20,000	-
Exercise of options	20,458	-
Proceeds from loans	28,000	91,500
	133,458	91,500
Decrease in cash during the period	(11,350)	(61,942)
Cash, beginning of the period	33,025	67,908
Cash, end of the period	21,675	5,966

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

# **AVARONE METALS INC.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

---

## 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 April 30, 2018, the Company had not yet achieved profitable operations, had accumulated losses of \$15,781,610 (July 31, 2017 - \$15,482,464), a working capital deficit of \$509,536 (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 June 28, 2018.

### **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 interim consolidated 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.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

## 3. Deposit

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

## 4. Equipment

	Office equipment
	\$
<b>Costs:</b>	
Balance, April 30, 2018 and July 31, 2017	42,314
<b>Depreciation:</b>	
Balance, July 31, 2017	31,020
Depreciation	448
Balance, April 30, 2018	31,468
<b>Impairment:</b>	
Balance, April 30, 2018 and July 31, 2017	8,298
<b>Net Book Value:</b>	
April 30, 2018	2,548
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 April 30, 2018	76,698	-	-	-	-	76,698

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



# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

## 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 and issuing 450,000 common shares (400,000 shares issued) of the Company over the next three years. In addition, the Company is required to complete 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 April 30, 2018, 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
<b>Totals</b>	<b>32,500</b>	<b>450,000</b>	<b>850,000</b>

\*As at April 30, 2018, 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.

\*\*\* On December 21, 2017, the Company failed to incur \$150,000 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 has been in default since July 8, 2015 as required payments were not made.

During the period ended April 30, 2018, the Company decided not to pursue further exploration on this property and is planning to terminate the option agreement.

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

## 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 April 30, 2018, the Company decided not to pursue further exploration on 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 3,200 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 April 30, 2018, the Company decided not to pursue further exploration on this property and is planning to terminate the option agreement.

## 6. Accounts payable and accrued liabilities

	April 30, 2018	July 31, 2017
	\$	\$
Accounts payable	12,933	80,541
Due to related parties (note 11)	159,375	107,137
Accrued liabilities	68,268	157
Other payables	2,910	2,910
	243,486	190,745

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

## 7. Note payable

	April 30, 2018	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

	April 30, 2018	July 31, 2017
	\$	\$
Promissory notes	121,500	76,500
Demand loan	-	17,000
	121,500	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 April 30, 2018, is \$15,879 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 April 30, 2018.

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 April 30, 2018, is \$3,797 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 April 30, 2018.

A third promissory note for \$25,000 was issued on October 10, 2017, bears interest at 18% and is due April 10, 2018. 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 April 30, 2018, is \$2,589 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 April 30, 2018. This amount was recorded as loan fees in the condensed consolidated interim statement of comprehensive loss for the period ended April 30, 2018.

A fourth promissory note for \$20,000 was issued on November 27, 2017, bears interest at 18% and is due May 27, 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 April 30, 2018, is \$1,529 and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender \$4,000 in common shares of the Company. The shares have not been issued as at April 30, 2018. This amount was recorded as loan fees in the condensed consolidated interim statement of comprehensive loss for the period ended April 30, 2018.

During the period ended April 30, 2018, the demand loan was fully paid out.

## 9. Share Capital and Reserves

### (a) Authorized

The Company has authorized an unlimited number of voting common shares without par value.

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

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

### (b) Issued

At April 30, 2018, there were 86,186,661 issued and fully paid common shares (July 31, 2017 – 84,377,495)

On March 20, 2018, the Company completed a private placement financing, issuing 1,000,000 units at a price of \$0.065 per unit for proceeds of \$65,000. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase an additional common share at a price of \$0.085 for a period of 24 months from the date of issue.

During the period ended April 30, 2018, 400,000 share purchase warrants were exercised at \$0.05 for proceeds of \$20,000.

During the period ended April 30, 2018, 409,166 stock options with an exercise price of \$0.05 were exercised for proceeds of \$20,458.

### (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, 2017	5,174,166	0.05
Granted	1,450,000	0.06
Exercised	(409,166)	0.05
Balance April 30, 2018	6,215,000	0.05

The weighted average fair value of share purchase options exercised during the period ended April 30, 2018 is \$0.024 (2017 – N/A).

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

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

Stock options outstanding and exercisable at April 30, 2018, 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
250,000	0.085	April 27, 2023	250,000
100,000	0.05	January 27, 2024	100,000
830,000	0.05	April 23, 2025	830,000
125,000	0.05	February 23, 2026	125,000
425,000	0.08	July 8, 2026	425,000
250,000	0.05	September 19, 2026	250,000
2,330,000	0.05	December 7, 2026	2,330,000
950,000	0.05	December 3, 2027	925,000
250,000	0.08	March 6, 2028	250,000
<b>6,215,000</b>			<b>6,215,000</b>

The weighted average remaining contractual life of outstanding options is 6.94 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	April 30, 2018	April 30, 2017
Risk free interest rate	2.07%	0.98%-1.59%
Expected life of options	9.14 years	10 years
Expected dividend yield	-	-
Expected stock price volatility	264.08%	144%-223%

### (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, 2017	1,925,000		0.08
Issued	1,000,000		0.085
Exercised	(400,000)		0.05
<b>Balance, April 30, 2018</b>	<b>2,525,000</b>		<b>0.09</b>

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

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

Warrants outstanding at April 30, 2018, are as follows:

Warrants Outstanding	Exercise Price	Expiry Date
875,000	\$0.12	July 6, 2018
650,000	\$0.05	July 31, 2018
1,000,000	\$0.085	March 20, 2020
2,525,000		

The weighted average remaining contractual life of the warrants outstanding is 0.88 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	April 30, 2018	April 30, 2017
	\$	\$
Interest expense (note 8)	17,645	2,686
Loan fees (note 8)	9,000	-
	26,645	2,686

## 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:

Period ending	April 30, 2018	April 30, 2017
	\$	\$
Rent	-	24,607

### (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.

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

## 11. Related Party Transactions – (continued)

<u>Period ending</u>	<u>April 30, 2018</u>	<u>April 30, 2017</u>
	\$	\$
Management fees	67,500	67,500
Salaries and benefits	6,942	6,943
Share-based payments	29,999	29,503
	104,441	103,946

### (c) Related Party Balances

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

	<u>April 30, 2018</u>	<u>July 31, 2017</u>
	\$	\$
A company controlled by an officer of the Company	329,475	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:

	<u>\$</u>
2018	42,320
2019	66,010
2020	5,520
	113,850

## 13. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at April 30, 2018, 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 April 30, 2018, the Company's financial instruments consist of cash, accounts receivable, 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:

# AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

---

## 14. Financial Instruments and Risk Management- (continued)

- 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 April 30, 2018, 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 April 30, 2018, the Company had cash of \$21,675 to settle current liabilities of \$535,086.

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 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.



# **AVARONE METALS INC.**

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian dollars)

Nine months ended April 30, 2018 and 2017

---

14. Financial Instruments and Risk Management- (continued)

During the period ended April 30, 2018, 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 April 30, 2018.

16. Subsequent Event

On May 1, 2018, 250,000 stock options exercisable at \$0.085 per share for a period of five years were issued to an officer of the Company.