

AVARONE METALS INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

For the six months ended January 31, 2020 and 2019

(Expressed in Canadian Dollars)

AVARONE METALS INC.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - expressed in Canadian dollars)

	January 31, 2019	July 31, 2019
ASSETS		
Current		
Cash	\$ 8,501	\$ 48,040
Accounts receivable	6,119	19,089
Prepaid expenses	-	766
Deposit (note 3)	68,242	21,242
	82,862	89,137
Equipment (note 4)	1,724	1,917
	\$ 84,586	\$ 91,054
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 460,073	\$ 411,398
Note payable (notes 7 and 11)	170,100	170,100
Loans payable (note 8)	155,000	121,500
	785,173	702,998
SHAREHOLDERS' DEFICIENCY		
Share capital (note 9)	14,888,929	14,739,256
Share subscriptions (notes 8 and 9)	24,300	24,300
Reserve (note 9)	754,937	706,888
Deficit	(16,368,753)	(16,082,388)
	(700,587)	(611,944)
	\$ 84,586	\$ 91,054

Nature of operations and going concern (note 1)

Commitment (note 12)

On behalf of the Board:"Marc Lewy" Director"Peter Lee" 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 Loss and Comprehensive Loss

(Unaudited - expressed in Canadian dollars)

	Three months ended		Six months ended	
	January 31, 2020	January 31, 2019	January 31, 2020	January 31, 2019
Expenses				
General and administrative				
Depreciation (note 4)	\$ 97	\$ 121	\$ 193	\$ 242
Management & Consultant fees (note 11)	22,500	22,500	65,000	45,000
Office costs	1,203	3,997	3,443	8,775
Professional fees	9,545	12,720	19,045	22,905
Regulatory and transfer agent	7,438	8,647	9,749	12,967
Share-based payments (note 9)	61,065	54,738	112,241	87,093
Travel, promotion and shareholder communication	2,142	1,457	3,166	1,837
Salaries and benefits (note 11)	17,680	10,154	39,219	22,451
Rent (note 11)	11,753	7,297	19,508	15,228
	(133,423)	(121,631)	(271,564)	(216,498)
Other items:				
Finance and other costs (notes 8 and 10)	(7,451)	(7,350)	(14,801)	(14,700)
Net loss and comprehensive loss for the period	\$ (140,874)	\$ (128,981)	\$ (286,365)	\$ (231,198)
Loss per common share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding, basic and diluted	91,414,994	87,846,661	90,413,001	86,697,802

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 January 31, 2020 and 2019

	Notes	Share capital		Reserve		Total shareholders' deficiency	
		Common shares	Amount	Share subscriptions	Stock options and warrants		Deficit
		#	\$	\$	\$		\$
Balance as at July 31, 2018		86,336,661	14,480,367	24,300	703,697	(15,727,851)	(519,487)
Private placement	9	1,000,000	50,000	-	-	-	50,000
Exercise of stock options	9	510,000	25,500	-	-	-	25,500
Reallocation of fair value of stock options exercised	9	-	27,869	-	(27,869)	-	-
Share-based payments	9	-	-	-	87,093	-	87,093
Loss for the period		-	-	-	-	(231,198)	(231,198)
Balance as at January 31, 2019		87,846,661	14,583,736	24,300	762,921	(15,959,049)	(588,092)
Balance as at July 31, 2019		89,871,661	14,739,256	24,300	706,888	(16,082,388)	(611,944)
Exercise of stock options	9	1,383,333	77,480	-	-	-	77,480
Reallocation of fair value of stock options exercised	9	-	62,593	-	(62,593)	-	-
Forfeited options		-	-	-	3,204	-	3,204
Exercise of warrants	9	160,000	8,000	-	-	-	8,000
Reallocation of fair value of warrantss exercised	9	-	1,600	-	(1,600)	-	-
Share-based payments	9	-	-	-	103,034	-	103,034
Fair value of options vested	9	-	-	-	6,004	-	6,004
Loss for the period		-	-	-	-	(286,365)	(286,365)
Balance as at January 31, 2020		91,414,994	14,888,929	24,300	754,937	(16,368,753)	(700,587)

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)

	Six months ended January 31,	
	2020	2019
<hr/>		
Cash provided by (used in):		
Operating activities:		
Net loss for the period	\$ (286,365)	\$ (231,198)
Items not involving cash:		
Accrued interest	7,350	14,700
Depreciation	193	243
Fair value of vested options	9,208	-
Share-based payments	103,034	87,093
	<hr/>	<hr/>
	(166,580)	(129,162)
Changes in working capital:		
Accounts receivable	12,970	(26,149)
Prepaid expenses	766	(782)
Deposits	(47,000)	-
Accounts payable and accrued liabilities	41,325	62,884
	<hr/>	<hr/>
	(158,519)	(93,209)
Financing activities:		
Private placement	-	50,000
Exercise of options	77,480	25,500
Exercise of warrants	8,000	-
Proceeds from loans	33,500	-
	<hr/>	<hr/>
	118,980	75,500
Decrease in cash during the period	(39,539)	(17,709)
Cash, beginning of the period	48,040	33,067
	<hr/>	<hr/>
Cash, end of the period	\$ 8,501	\$ 15,358

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)

Three months ended January 31, 2020 and 2019

1. Nature of Operations and Going Concern

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares are listed for trading on the Canadian Securities Exchange ("Exchange" or "CSE") under the symbol 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 January 31, 2020, the Company had not yet achieved profitable operations, had accumulated losses of \$16,368,753 (July 31, 2019 - \$16,082,388), a working capital deficit of \$702,311 (July 31, 2019 - \$613,861) 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 Company'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 consolidated financial statements.

2. Significant Accounting Policies

These condensed consolidated interim financial statements were authorized for issue by the directors of the Company on March 14, 2020.

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, 2019.

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, 2019.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Three months ended January 31, 2020 and 2019

3. Deposit

Deposit of \$68,242 consists of a security deposit on a long term lease.

4. Equipment

	Office equipment
	\$
Costs:	
Balance, January 31, 2020 and July 31, 2019	42,314
Depreciation:	
Balance, July 31, 2019	32,194
Depreciation	98
Balance, January 31, 2020	32,290
Impairment:	
Balance, January 31, 2020 and July 31, 2019	8,298
Net Book Value:	
January 31, 2020	1,724
July 31, 2019	1,917

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)
	\$
Balance, January 31, 2020 and October 31, 2019	76,698

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

(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"). As of January 31, 2020, the two Wildnest claims have lapsed.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Three months ended January 31, 2020 and 2019

5. Exploration and Evaluation Expenditures – Continued

(a) Wildnest and Phantom Lake Properties - Continued

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 three years, and in accordance with the schedule below. 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 January 31, 2020, 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 January 31, 2020, 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.

**** On December 21, 2018, the Company failed to incur \$200,000 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.

6. Accounts Payable and Accrued Liabilities

	January 31, 2020	July 31, 2019
	\$	\$
Accounts payable	49,819	26,548
Due to related parties (note 11)	334,237	271,875
Accrued interest on loans (note 8)	75,017	109,950
Other payables	1,000	3,025
	460,073	411,398

7. Note Payable

	October 31, 2019	July 31, 2019
	\$	\$
Amounts due to related parties (note 11)	170,100	170,100

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

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(Unaudited - expressed in Canadian Dollars)

Three months ended January 31, 2020 and 2019

8. Loans Payable

	January 31, 2020	July 31, 2019
	\$	\$
Promissory notes	155,000	121,500

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 bears interest at 18%. 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 January 31, 2020 is \$41,168 (July 31, 2019 - \$33,909) and is included in accrued liabilities (note 6). During the period ended October 31, 2019, the Company recorded interest of \$3,630 (2018 - \$3,630) on the note. 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 January 31, 2020 and are included in share subscriptions (Note 9).

The second promissory note, for \$16,500, was due September 30, 2017, and bears interest at 18%. As the note was not paid by the due date, the interest rate increased to 24% from that date forward. Total accrued interest on the promissory note at January 31, 2020, is \$10,752 (July 31, 2019 - \$8,756) and is included in accrued liabilities (note 6). During the period ended January 31, 2019, the Company recorded interest of \$998 (2018 - \$998) on the note. 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 January 31, 2020 and are included in share subscriptions (Note 9).

During the year ended July 31, 2018, a third and fourth promissory note were issued. The third promissory note for \$25,000 was issued on October 10, 2017, bears interest at 18% and was 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 accrued interest on the promissory note at January 31, 2020, is \$13,126 (July 31, 2019 - \$10,101) and is included in accrued liabilities (note 6). During the period ended January 31, 2020, the Company recorded interest of \$1,512 (2018 - \$1,512) on the note. 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 January 31, 2020 and are included in share subscriptions (Note 9).

The fourth promissory note for \$20,000 was issued on November 27, 2017, bears interest at 18% and was due May 27, 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 January 31, 2020, is \$9,870 (July 31, 2019 - \$7,450) and is included in accrued liabilities (note 6). During the period ended October 31, 2019, the Company recorded interest of \$1,210 (2018 - \$1,210) on the note. 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 January 31, 2020 and are included in share subscriptions (Note 9).

The fifth promissory note for \$5,000 was issued on October 11, 2019. The promissory note is non-interest bearing loan due on demand.

The sixth promissory note for \$23,500 was issued on January 21, 2020, bears interest at 12% and is due on demand. Total interest accrued on the promissory note at January 31, 2020, is \$85.

9. Share Capital and Reserves

(a) Authorized

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

(b) Issued

At January 31, 2020, there were 91,414,994 issued and fully paid common shares (July 31, 2019 - 89,871,661).

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Three months ended January 31, 2020 and 2019

(c) Share Issuances

During the period ended October 31, 2020, 160,000 share purchase warrants with an exercise price of \$0.05 were exercised for proceeds of \$8,000.

During the period ended January 31, 2020, 550,000 and 833,000 stock options with an exercise price of \$0.05 and \$0.06 respectively, were exercised for total proceeds of \$77,480.

9. Share Capital and Reserves - Continued

(d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options have expiry dates of no later than ten years from the date of grant and vest immediately as determined by the Board of Directors or as to 25% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

On August 12, 2019, the Company issued a total of 350,000 incentive stock options at an exercise price of \$0.13 to a consultant of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of \$45,172 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On August 16, 2019, 80,000 options vested and share-based payments recognized for \$6,004 accordingly.

On December 12, 2019, the Company issued a total of 833,000 incentive stock options at an exercise price of \$0.06 to a consultant of the Company. The options are exercisable for a period of 5 years from the date of grant and have a grant date fair value of \$49,980 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On November 16, 2019, 80,000 options vested and share-based payments recognized for \$3,204 accordingly.

Stock option transactions for the period ended October 31, 2019 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2019	5,610,000	0.06
Granted	350,000	0.13
Balance, October 31, 2019	5,960,000	0.06
Granted	833,000	0.06
Exercised	833,000	0.06
Exercised	550,000	0.05
Balance, January 31, 2020	5,410,000	0.06

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Three months ended January 31, 2020 and 2019

Stock options outstanding and exercisable at October 31, 2019 are as follows:

Options Outstanding #	Exercise Price \$	Expiry Date	Options Exercisable #
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
250,000	0.05	October 15, 2023	250,000
50,000	0.05	January 27, 2024	50,000
500,000	0.05	January 29, 2024	500,000
570,000	0.06	May 16, 2024	410,000
250,000	0.13	July 8, 2024	250,000
350,000	0.13	August 12, 2024	350,000
780,000	0.05	April 23, 2025	780,000
15,000	0.05	February 23, 2026	15,000
425,000	0.08	July 8, 2026	425,000
50,000	0.05	September 19, 2026	50,000
580,000	0.05	December 7, 2026	580,000
750,000	0.05	December 3, 2027	750,000
250,000	0.08	March 6, 2028	250,000
5,410,000			5,250,000

The weighted average remaining contractual life of outstanding options is 5.3 years (July 31, 2019: 6.02 years).

9. Share Capital and Reserves - Continued

(d) Stock Options - Continued

The fair values of stock options granted were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Period ending	January 31, 2020	January 31, 2019
Risk free interest rate	1.21%	2.42%
Expected life of options	5 years	5 years
Expected stock price volatility	235.14%	249.29%

(e) Warrants

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

During the period ended October 31, 2019, 160,000 warrants were exercised at a price of \$0.05.

During the period ended January 31, 2020, there were no warrants exercised.

As at January 31, 2020 the following warrants were outstanding:

Warrants Outstanding	Exercise Price	Expiry Date
1,000,000	\$0.085	March 20, 2020
340,000	\$0.05	November 28, 2023

The weighted average remaining contractual life of the warrants outstanding is 1.39 years.

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Three months ended January 31, 2020 and 2019

(f) Reserve

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

(g) Share subscriptions

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

10. Finance and Other Costs

	Six month period ended	
	January 31, 2020	January 31, 2019
	\$	\$
Interest expense (note 8)	14,801	14,700

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:

	Six month period ended	
	January 31, 2020	January 31, 2019
	\$	\$
Office, rent, administration and wages	20,809	15,364

(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.

	Six months period ended	
	January 31, 2020	January 31, 2019
	\$	\$
Management fees	45,000	45,000
Salaries and benefits	-	2,314
Share-based payments	-	9,952
	45,000	57,266

Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 9).

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Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Three months ended January 31, 2020 and 2019

(c) Related Party Balances

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

	January 31, 2020	July 31, 2019
	\$	\$
A company controlled by an officer of the Company (notes 6 and 7)	486,975	441,975

12. Commitment

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2024, as follows:

	\$
2020	77,840
2021	79,810
2022	82,570
2023	78,430
2024	7,130
	318,780

13. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at October 31, 2019 and July 31, 2019, with its assets located in North America.

14. Financial Instruments and Risk Management

a) Fair Value of Financial Instruments

As at January 31, 2020, 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.

Cash is measured using level 1 inputs.

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Three months ended January 31, 2020 and 2019

(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 January 31, 2020, the Company had cash of \$8,501 to settle current liabilities of \$785,173.

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).

14. Financial Instruments Risk - 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 loans payable bear a fixed interest rate. Management considers interest rate risk to be 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 6 of these financial statements of which production is not expected in the near future.

During the period ended January 31, 2020, 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

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(Unaudited - expressed in Canadian Dollars)

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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 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 period ended October 31, 2019.