

AVARONE METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the six months ended January 31, 2021 and 2020

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

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 has the right to acquire a 100% interest in the Wildnest and Phantom Lake gold properties located in Manitoba and Saskatchewan, however the option agreement on these properties has been in default since December 2015 as required payments have not been made by the Company. The Company is currently searching for a new exploration property.

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 six months ended January 31, 2021, and 2020, and is prepared as of March 31, 2021. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended July 31, 2020 and 2019, 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

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

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"). As of October 31, 2019, the two Wildnest claims have lapsed.

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:

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

Quarters ended	Total Revenues (\$)	Net earnings (loss) (\$)	Earnings (loss) per share (\$)
January 31, 2021 ¹	Nil	(242,073)	(0.00)
October 31, 2020	Nil	(51,799)	(0.00)
July 31, 2020	Nil	(31,546)	(0.00)
April 30, 2020	Nil	(72,074)	(0.00)
January 31, 2020	Nil	(140,874)	(0.00)
October 31, 2019	Nil	(145,491)	(0.00)
July 31, 2019	Nil	(127,068)	(0.00)
April 30, 2019	Nil	(53,263)	(0.00)

¹ There was a share-based charge of \$213,887 for the three months ended January 31, 2021.

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.

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.

Three Months Ended January 31, 2021

During the quarter ended January 31, 2021, the Company reported a net loss and comprehensive loss of \$242,073 compared to a net loss of \$133,423 during the quarter ended January 31, 2020, representing an increase in loss of \$108,650. The increase in loss is primarily attributable to the following:

- The depreciation expense for the three months ended January 31, 2021 was \$18,137 (2020: \$97). Depreciation expense primarily relates to the amortization of right-of-use asset pertaining to the long-term lease for the quarter ended January 31, 2021.
- Salaries and benefits for the three months ended January 31, 2021 was \$nil (2020: \$17,080). The reduction in expense when compared to the corresponding period in the prior year is caused by the Company re-structuring its operations.
- Share-based payments for the three months ended January 31, 2021 was \$213,087 (2020: \$61,065). The increase in share-based payments was caused by the Company granting 2,675,000 stock options during the period at an exercise price of \$0.08 per option. The Company values its stock option grants by using the Black-Sholes method of valuing stock options.

Other Items

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

The Company paid finance costs associated with loans advanced by arms length and related parties of \$13,790 for the quarter ended January 31, 2021 (2020: \$7,451). The Company also received other income of \$28,891 (2020: \$Nil) from rent received from other Company's sharing its office space. Finally, the Company recognised government assistance of \$12,851 (2020: \$nil) as part of the Canadian governments COVID-19 financial assistance program. (note 8 of the financial statements ended January 31, 2021).

Six Months Ended January 31, 2021

During the six months ended January 31, 2021, the Company reported a net loss and comprehensive loss of \$293,872 compared to a net loss of \$286,365 during the six months ended January 31, 2020, representing an increase in loss of \$7,507. The increase in loss is primarily attributable to the following:

- The depreciation expense for the six months ended January 31, 2021 was \$36,274 (2020: \$193). Depreciation expense primarily relates to the amortization of right-of-use asset pertaining to the long-term lease for the period ended January 31, 2021.
- Salaries and benefits for the six months ended January 31, 2021 was \$nil (2020: \$39,219). The reduction in expense when compared to the corresponding period in the prior year is caused by the Company re-structuring its operations.
- Share-based payments for the six months ended January 31, 2021 was \$213,087 (2020: \$112,241). The increase in share-based payments was caused by the Company granting 2,675,000 stock options during the period at an exercise price of \$0.08 per option. The Company values its stock option grants by using the Black-Sholes method of valuing stock options.

Other Items

The Company paid finance costs associated with loans advanced by arms length and related parties of \$27,648 for the quarter ended January 31, 2021 (2020: \$14,801). The Company also received other income of \$42,019 (2020: \$Nil) from rent received from other Company's sharing its office space. Finally, the Company recognised government assistance of \$12,851 (2020: \$nil) as part of the Canadian governments COVID-19 financial assistance program. (note 8 of the financial statements ended January 31, 2021).

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, the exercise of common share purchase warrants, loans from related parties and third-party short-term loans. As at January 31, 2021, the Company had a working capital deficiency of \$990,643 compared to \$924,864 at July 31, 2020.

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

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

January 31, 2021 is \$55,687 (2020 - \$48,427) 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 January 31, 2021 and are included in share subscriptions.

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 interest accrued on the promissory note at January 31, 2021, is \$14,744 (2020 - \$12,478) 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 January 31, 2021 and are included in share subscription.

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 interest accrued on the promissory note at January 31, 2021, is \$19,175 (2020 - \$16,150) and is included in accrued liabilities.

The fourth promissory note for \$20,000 was issued on November 27, 2017, bears interest at 18% and was due May 27, 2018. Total interest accrued on the promissory note at January 31, 2021, is \$14,709 (2020 - \$12,289) 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 July 31, 2020 and are included in share subscriptions.

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, 2021 is \$2,928 (2020 - \$1,507).

The seventh promissory note for \$5,000 was issued on January 22, 2020, bears interest at 12% and is due on demand. Total interest accrued on the promissory note at January 31, 2021 is \$621 (2020 - \$320).

The eighth promissory note for \$14,300 was issued on November 4, 2020 bears interest at 12% and is due on demand. Total interest accrued on the promissory note at January 31, 2021 is \$414 (2020 - \$Nil).

The ninth promissory note for \$500 was issued on December 2, 2020 bears interest at 12% and is due on demand. Total interest accrued on the promissory note at January 31, 2021 is \$10 (2020 - \$Nil).

As at January 31, 2021, as part of the Canadian government funded COVID-19 financial assistance programs, the Company received loans in the amount of \$60,000 from the Bank of Montreal (CEBA term loan). The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

The benefit of the government loan received at below market rate of interest is treated as a government grant.

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

The loan was recognized at fair value using the Company's incremental borrowing rate of 18% per annum, totaling \$26,350. The difference between the initial carrying amount and proceeds received is the value of the grant of \$33,649. The Company recognized in income the value of the grant as it incurred the related expenses for which the grant was intended to compensate. During the period ended January 31, 2021, the Company recorded interest of \$5,439 on the loan (2020 - \$900). The balance of the loan at July 31, 2020 is \$29,134.

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

	\$
2021	73,140
2022	82,570
2023	17,318
2024	-
	<hr/> 173,028 <hr/>

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 "Summary of 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 year six-months January 31, 2021, and 2020, 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:

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

	January 31, 2021	January 31, 2020
	\$	\$
Office, rent, administration and wages	56,994	20,809

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.

	January 31, 2020	January 31, 2020
	\$	\$
Management fees	45,000	45,000
Share-based payments	179,905	-
	224,905	45,000

The following related party amounts were included in liabilities:

	January 31, 2021	January 31, 2020
	\$	\$
A company controlled by an officer of the Company (notes 6 and 7)	616,225	486,975

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 condensed consolidated interim financial statements relate to going concern assessments, share-based payments.

Financial Instruments and Risk Management

(a) Fair Value of Financial Instruments

AVARONE METALS INC.

Management's Discussion and Analysis

For the six months ended January 31, 2021 and 2020

As at January 31, 2021, 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:

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.

(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 of GST input tax credits receivable from the Government of Canada. Management considers that credit risks related to cash are minimal and credit risks related to accounts receivable are also minimal.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at January 31, 2021, the Company had cash of \$27,857 to settle current liabilities of \$1,033,794.

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.

(iii) Market Risk

a. Interest Rate Risk

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2021 and 2020

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 the financial statements of which production is not expected in the near future.

During the six months ended January 31, 2021, 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 six months ended January 31, 2021.

Outstanding Share Data

As at March 31, 2021, the Company had 91,414,661 common shares outstanding. As at the same date there were 340,000 warrants outstanding at an exercise prices of \$0.05 per share. In addition, 7,882,500 stock options were outstanding at exercise prices from \$0.05 to \$0.13 per share.

Stock options outstanding and exercisable at March 31, 2021, are as follows:

AVARONE METALS INC.

Management's Discussion and Analysis

For the six months ended January 31, 2021 and 2020

Options Outstanding	Exercise Price	Expiry Date	Options Exercisable
#	\$		#
162,500	0.05	April 26, 2022	162,500
250,000	0.09	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	570,000
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
400,000	0.08	July 8, 2026	400,000
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
2,675,000	0.08	November 3, 2025	2,675,000
7,882,500			7,882,500

Warrants outstanding at March 31, 2021, are as follows:

Warrants Outstanding	Exercise Price	Expiry Date
340,000	\$0.05	November 20, 2023

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.