

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Avarone Metals Inc. (the "Issuer").

Trading Symbol: AVM

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Unaudited condensed consolidated interim financial statements for the six-month period ended January 31, 2019, as filed with the securities regulatory authorities are attached to this Form 5 as Schedule A.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in Note 11 in the Issuer's financial statements for the six-month period ended January 31, 2019, attached hereto as Schedule "A". For information supplementary to that contained in the notes to the unaudited condensed consolidated interim financial statements with respect to related party transactions, please refer to the Management Discussion and Analysis ("MD&A") for the six-month period ended January 31, 2019, as filed with the securities regulatory authorities and attached to this Form 5 as Schedule "B".

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
Nov 28, 2018	Common Shares	Private Placement	1,000,000	\$0.05	\$50,000.00	Cash	Related ⁽¹⁾	None
Jan 31, 2018	Common Shares	Exercise of Stock Options	500,000	\$0.05	\$25,000.00	Cash	Unrelated	None

NOTE:

(1) A director of the Issuer acquired indirectly 500,000 Units at \$0.05.

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
January 29, 2019	500,000	A. Capital Corp.	Consultant	\$0.05	Jan 29, 2024	\$0.055
January 29, 2019	500,000	# Co. BC Ltd.	Consultant	\$0.05	Jan 29, 2024	\$0.055

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized	Par Value
Common Shares	Unlimited	NPV

(b) number and recorded value for shares issued and outstanding,

Description	Number Issued and Outstanding	Value
Common Shares	87,846,661	\$14,583,736

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding	Exercise Price	Expiry Date
Stock Options	100,000	\$0.05	February 4, 2019
Stock Options	100,000	\$0.05	February 18, 2019
Stock Options	177,500	\$0.05	October 12, 2020
Stock Options	162,500	\$0.05	April 26, 2022
Stock Options	100,000	\$0.05	January 27, 2024
Stock Options	830,000	\$0.05	April 23, 2025
Stock Options	115,000	\$0.05	February 23, 2026
Stock Options	425,000	\$0.08	July 8, 2026
Stock Options	250,000	\$0.05	September 19, 2026
Stock Options	2,330,000	\$0.05	December 7, 2026
Stock Options	925,000	\$0.05	December 3, 2027
Stock Options	250,000	\$0.08	March 6, 2028
Stock Options	250,000	\$0.085	April 27, 2023
Stock Options	500,000	\$0.05	Sept 17, 2023
Stock Options	250,000	\$0.05	Oct 15, 2023
Stock Options	500,000	\$0.05	Jan 29, 2024
Total:	7,265,000		

Warrants	1,000,000	\$0.085	March 20, 2020
Warrants	1,000,000	\$0.05	Nov 28, 2023
Total:	2,000,000		

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Description	Number	Number Released During the Period
Not applicable		

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position
Marc Levy	Director, President, CEO
Kulwant Sandher	CFO
Peter Born	Director
Peter Lee	Director
Max Pinsky	Corporate Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management Discussion and Analysis (“MD&A”) for the six-month period ended January 31, 2019, attached to this Form 5 as Schedule “B”.

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Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated March 21, 2019

Marc Levy
Name of Director or Senior Officer

Signed: "Marc Levy"
Signature
Chief Executive Officer
Official Capacity

Issuer Details Name of Issuer Avarone Metals Inc.	For Quarter Ended January 31, 2019	Date of Report YY/MM/DD 19/03/21
Issuer Address Suite 610, 700 West Pender Street		
City/Province/Postal Code Vancouver, BC V6C 1G8	Issuer Fax No. (604) 669-9768	Issuer Telephone No. (604) 669-9788
Contact Name Marc Levy	Contact Position CEO	Contact Telephone No. (604) 669-9788
Contact Email Address mlevy@mosamventures.com	Web Site Address www.avarone.com	

SCHEDULE "A"

AVARONE METALS INC.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

For the six months ended January 31, 2019 and 2018

(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, 2018
ASSETS		
Current		
Cash	\$ 15,358	\$ 33,067
Accounts receivable	26,969	820
Prepaid expenses	1,532	750
	43,859	34,637
Deposit (note 3)	21,242	21,242
Equipment (note 4)	2,154	2,397
	\$ 67,255	\$ 58,276
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 363,747	\$ 286,163
Note payable (notes 7 and 11)	170,100	170,100
Loans payable (note 8)	121,500	121,500
	655,347	577,763
SHAREHOLDERS' DEFICIENCY		
Share capital (note 9)	14,583,736	14,480,367
Share subscriptions (notes 8 and 9)	24,300	24,300
Reserve (note 9)	762,921	703,697
Deficit	(15,959,049)	(15,727,851)
	(588,092)	(519,487)
	\$ 67,255	\$ 58,276

Nature of operations and going concern (note 1)

Commitment (note 12)

Subsequent event (note 16)

On behalf of the Board:"Marc Levy" 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, 2019	January 31, 2018	January 31, 2019	January 31, 2019
Expenses				
General and administrative				
Depreciation (note 4)	\$ 121	\$ 151	\$ 242	\$ 300
Management fees (note 11)	22,500	22,500	45,000	45,000
Office costs	3,997	980	8,775	2,123
Professional fees	12,720	6,000	22,905	15,660
Regulatory and transfer agent	8,647	7,418	12,967	9,793
Share-based payments (note 9)	54,738	47,499	87,093	47,499
Travel, promotion and shareholder communication	1,457	279	1,837	1,466
Salaries and benefits (note 11)	10,154	12,863	22,451	26,845
Rent (note 11)	7,297	7,576	15,228	14,945
	(121,631)	(105,266)	(216,498)	(163,631)
Other items:				
Finance and other costs (notes 8 and 10)	(7,350)	(10,413)	(14,700)	(20,107)
Net loss and comprehensive loss for the period	\$ (128,981)	\$ (115,679)	\$ (231,198)	\$ (183,738)
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	87,846,661	84,511,191	86,697,802	84,444,343

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, 2019 and 2018

	Notes	Share capital		Reserve		Total shareholders' deficiency	
		Common shares	Amount	Share subscriptions	Stock options and warrants		Deficit
		#	\$	\$	\$		\$
Balance as at July 31, 2017		84,377,495	14,357,567	15,300	719,855	(15,482,464)	(389,742)
Exercise of warrants for cash		300,000	15,000	-	-	-	15,000
Share-based payments		-	-	-	47,499	-	47,499
Shares to be issued for loan agreement		-	-	9,000	-	-	9,000
Loss for the period		-	-	-	-	(183,738)	(183,738)
Balance as at January 31, 2018		84,677,495	14,372,567	24,300	767,354	(15,666,202)	(501,981)
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)

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,	
	2019	2018
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Cash provided by (used in):		
Operating activities:		
Net loss for the period	\$ (231,198)	\$ (183,738)
Items not involving cash:		
Accrued interest	14,700	11,107
Depreciation	243	300
Loan fees	-	9,000
Share-based payments	87,093	47,499
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	(129,162)	(115,832)
Changes in working capital:		
Accounts receivable	(26,149)	4,634
Prepaid expenses	(782)	(751)
Accounts payable and accrued liabilities	62,884	32,068
	<hr/>	<hr/>
	(93,209)	(79,881)
Financing activities:		
Private placement	50,000	-
Exercise of options	25,500	-
Exercise of warrants	-	15,000
Proceeds from loans	-	45,000
	<hr/>	<hr/>
	75,500	60,000
Decrease in cash during the period	(17,709)	(19,881)
Cash, beginning of the period	33,067	33,025
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Cash, end of the period	\$ 15,358	\$ 13,144

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)

Six months ended January 31, 2019 and 2018

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, 2019, the Company had not yet achieved profitable operations, had accumulated losses of \$15,959,049 (July 31, 2018 - \$15,727,851), a working capital deficit of \$611,488 (July 31, 2018 - \$543,126) 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 19, 2019.

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, 2018.

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, 2018.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

3. Deposit

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

4. Equipment

	Office equipment
	\$
Costs:	
Balance, January 31, 2019 and July 31, 2018	42,314
Depreciation:	
Balance, July 31, 2018	31,619
Depreciation	242
Balance, January 31, 2019	31,861
Impairment:	
Balance, January 31, 2019 and July 31, 2018	8,298
Net Book Value:	
January 31, 2019	2,154
July 31, 2018	2,397

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, July 31, 2018 and January 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, 2019, the two Wildnest claims have lapsed.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

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, 2019, 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, 2019, 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 \$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, 2019	July 31, 2018
	\$	\$
Accounts payable	45,914	22,778
Due to related parties (note 11)	227,443	183,049
Accrued interest on loans (note 8)	45,756	76,775
Other payables	44,634	3,561
	363,747	286,163

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

7. Note Payable

	January 31, 2019	July 31, 2018
	\$	\$
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

	January 31, 2019	July 31, 2018
	\$	\$
Promissory notes	121,500	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, 2019 is \$26,768 (July 31, 2018 - \$19,509) and is included in accrued liabilities (note 6). During the period ended January 31, 2019, the Company recorded interest of \$3,630 (2017 - \$3,590) 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, 2019. This amount has been recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2017.

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, 2019, is \$6,792 (July 31, 2018 - \$4,795) and is included in accrued liabilities (note 6). During the period ended January 31, 2019, the Company recorded interest of \$998 (2017 - \$833) 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, 2019. This amount has been recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2017.

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, 2019, is \$7,126 (July 31, 2018 - \$4,101) and is included in accrued liabilities (note 6). During the period ended January 31, 2019, the Company recorded interest of \$1,512 (2017 - \$271) 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, 2019. This amount was recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2018.

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, 2019, is \$5,070 (July 31, 2018 - \$2,650) and is included in accrued liabilities (note 6). During the period ended January 31, 2019, the Company recorded interest of \$1,210 (2017 - \$Nil) 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, 2019. This amount was recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2018.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

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, 2019, there were 87,846,661 issued and fully paid common shares (July 31, 2018 – 86,336,661).

(c) Share Issuances

On November 30, 2018, the Company completed a non-brokered private placement of 1,000,000 units at a price of \$0.05 per unit for gross proceeds of \$50,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a total of five years, at a price of \$0.05.

During the six month period ended January 31, 2019, 510,000 stock options with an exercise price of \$0.05 were exercised for proceeds of \$25,500.

(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 September 17, 2018, the Company issued a total of 500,000 incentive stock options at an exercise price of \$0.05 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 \$22,403 determined by the Black-Scholes Option Pricing Model. These options vested upon grant.

On October 15, 2018, the Company issued a total of 250,000 incentive stock options at an exercise price of \$0.05 to a director 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 \$9,952 determined by the Black-Scholes Option Pricing model. These options vested upon grant.

On January 29, 2019, the Company issued a total of 1,000,000 incentive stock options at an exercise price of \$0.05 to consultants 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 \$54,738 determined by the Black-Scholes Option Pricing model. These options vested upon grant.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

9. Share Capital and Reserves - Continued

(d) Stock Options - continued

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2018	6,025,000	0.06
Granted	1,750,000	0.05
Exercised	(510,000)	0.05
Balance, January 31, 2019	7,265,000	0.05

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

Options Outstanding #	Exercise Price \$	Expiry Date	Options Exercisable #
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
500,000	0.05	September 17, 2023	500,000
250,000	0.05	October 15, 2023	250,000
100,000	0.05	January 27, 2024	100,000
830,000	0.05	April 25, 2025	830,000
115,000	0.05	February 23, 2026	115,000
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
925,000	0.05	December 3, 2027	925,000
250,000	0.08	March 6, 2028	250,000
500,000	0.05	January 29, 2024	500,000
7,265,000			7,265,000

The weighted average remaining contractual life of outstanding options is 6.63 years (July 31, 2018: 6.93 years).

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

Period ending	January 31, 2019	January 31, 2018
Risk free interest rate	2.42%	1.98%
Expected life of options	5 years	10 years
Expected stock price volatility	249.29%	265.05%

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

9. Share Capital and Reserves - Continued

(e) Warrants

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

As at January 31, 2019 the following warrants were outstanding:

<u>Warrants Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,000,000	\$0.085	March 20, 2020
1,000,000	\$0.05	November 28, 2023

The weighted average remaining contractual life of the warrants outstanding is 2.98 years.

(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, 2019	January 31, 2018
	\$	\$
Interest expense (note 8)	14,700	11,107
Loan fees (note 8)	-	9,000
	14,700	20,107

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, 2019	January 31, 2018
	\$	\$
Office, rent, administration and wages	15,364	17,356

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

11. Related Party Transactions – Continued

(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 month period ended	
	January 31, 2019	January 31, 2018
	\$	\$
Management fees	45,000	45,000
Salaries and benefits	2,314	4,628
Share-based payments	9,952	29,999
	41,902	79,627

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).

(c) Related Party Balances

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

	January 31, 2019	July 31, 2018
	\$	\$
A company controlled by an officer of the Company (notes 6 and 7)	397,543	353,149

12. Commitment

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

	\$
2019	60,509
2020	5,520
	66,029

13. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at January 31, 2019 and July 31, 2018, with its assets located in North America.

14. Financial Instruments and Risk Management

a) Fair Value of Financial Instruments

As at January 31, 2019, 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.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

14. Financial Instruments and Risk Management – Continued

a) Fair Value of Financial Instruments continued

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 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, 2019, the Company had cash of \$15,358 to settle current liabilities of \$655,347.

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 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.

AVARONE METALS INC.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - expressed in Canadian Dollars)

Six months ended January 31, 2019 and 2018

14. Financial Instruments and Risk Management – Continued

(b) Financial Instruments Risk – continued

During the period ended January 31, 2019, 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 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 January 31, 2019.

16. Subsequent event

200,000 stock options expired unexercised.

SCHEDULE "B"

AVARONE METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the six months ended January 31, 2019 and 2018

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2019 and 2018

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, 2019, and 2018, and is prepared as of March 19, 2019. The MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended January 31, 2019, and 2018, and audited consolidated financial statements for the years ended July 31, 2018 and 2017, 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

AVARONE METALS INC.

Management's Discussion and Analysis

For the six months ended January 31, 2019 and 2018

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

Description of Business

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

The Company entered into an option agreement with Ray-Dor Resources Ltd. (the "Optionor") dated November 15, 2012, as amended on October 28, 2013, and November 24, 2014, ("Agreement"), pursuant to which it has been granted an option to acquire a 100% interest in seven mineral claims known as the Wildnest and Phantom Lake gold properties located in the Flin Flon area of Manitoba and Saskatchewan (the "Claims"). As of January 31, 2019, the two Wildnest claims have lapsed.

Under the terms of the Agreement, the Company may earn a 100% interest by completing the following: making cash payments of \$32,500 (\$7,500 made) over the next four years, issuing 450,000 common shares (400,000 shares issued) of the Company over the next three years. In addition, the Company is required to completing exploration programs totalling \$850,000 over a five-year period. The option agreement is in default since December 2015, as required payments were not made. As at January 31, 2019, the Company has made payments of \$7,500, issued 400,000 common shares, and incurred exploration expenditures of \$16,515.

The Claims are subject to a 2% net smelter royalty (NSR), of which, 50% of the NSR or 1% NSR may be acquired by the Company at any time for \$500,000.

Risk Factors

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

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

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2019 and 2018

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:

<u>Quarters ended</u>	<u>Total Revenues</u> <u>(\$)</u>	<u>Net earnings (loss)</u> <u>(\$)</u>	<u>Earnings (loss)</u> <u>per share (\$)</u>
January 31, 2019	Nil	(128,981)	(0.00)
October 31, 2018	Nil	(102,217)	(0.00)
July 31, 2018	Nil	(41,241)	(0.00)
April 30, 2018	Nil	(115,408)	(0.00)
January 31, 2018	Nil	(115,679)	(0.00)
October 31, 2017	Nil	(68,059)	(0.00)
July 31, 2017	Nil	12,409	(0.00)
April 30, 2017	Nil	(59,186)	(0.00)

There are no general trends regarding the Company's quarterly results and the Company's business of resource exploration is not seasonal, as it can work on its properties on a year-round basis subject to the availability of sufficient funds. Quarterly results can vary significantly depending mainly on the Company's acquisition of mineral rights and exploration activities and whether the Company has granted any stock options or modified the terms of stock options. These are the factors that account for material variations in the Company's quarterly net losses, none of which are predictable.

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, 2019

During the quarter ended January 31, 2019, the Company reported a net loss of \$128,981 compared to a net loss of \$115,679 during the quarter ended January 31, 2018, representing an increase in loss of \$13,302. The increase in loss is primarily attributable to the following:

- An increase of \$7,239 in share-based payments. Share-based payments are \$54,738 for the quarter ended January 31, 2019, compared to \$47,499 for the quarter ended January 31, 2018. The increase is related to 1,000,000 stock options granted during the three months ended January 31, 2019.
- An increase of \$6,720 in professional fees, due to no audit fees being recorded in the prior year quarter.

Six Months Ended January 31, 2019

During the six months ended January 31, 2019, the Company reported a net loss of \$231,198 compared to a net loss of \$183,738 during the six months ended January 31, 2018, representing an increase in loss of \$47,460. The increase in loss is primarily attributable to the following:

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2019 and 2018

- An increase of \$39,594 in share-based payments. Share-based payments are \$87,093 for the six months ended January 31, 2019, compared to \$47,499 for the six months ended January 31, 2018. The increase is related to 1,750,000 stock options granted during the six months ended January 31, 2019.
- An increase of \$7,245 in professional fees, is related to higher audit fees in the current period.

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, 2019, the Company had a working capital deficiency of \$611,488 compared to \$543,126 at July 31, 2018.

On November 30, 2018, the Company completed a non-brokered private placement of 1,000,000 units at a price of \$0.05 per unit for gross proceeds \$50,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company for a total of five years, at a price of \$0.05.

During the six months ended January 31, 2019, 510,000 stock options were exercised for cash proceeds of \$25,500.

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, 2019 is \$26,768 (July 31, 2018 - \$19,509) and is included in accrued liabilities. During the period ended October 31, 2018, the Company recorded interest of \$3,630 (2017 - \$3,590) 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, 2019. This amount has been recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2017.

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, 2019, is \$6,792 (July 31, 2018 - \$4,795) and is included in accrued liabilities. During the period ended January 31, 2019, the Company recorded interest of \$998 (2017 - \$833) 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, 2019. This amount has been recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2017.

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, 2019, is \$7,126 (July 31, 2018 - \$4,101) and is included in accrued liabilities. During the period ended January 31, 2019, the Company recorded interest of \$1,512 (2017

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2019 and 2018

- \$271) 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, 2019. This amount was recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2018.

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, 2019, is \$5,070 (July 31, 2018 - \$2,650) and is included in accrued liabilities. During the period ended January 31, 2019, the Company recorded interest of \$1,210 (2017 - \$Nil) 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, 2019. This amount was recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2018.

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

	\$
2019	60,509
2020	5,520
	<u>66,029</u>

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 proceeds from disposition of the resource properties. See "Risk Factors".

Transactions with Related Parties

During the six months ended January 31, 2019, and 2018, the Company entered into the following

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2019 and 2018

transactions with related parties:

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

	Six month period ended	
	January 31, 2019	January 31, 2018
	\$	\$
Office, rent, administration and wages recovered from Norsemont Capital Inc.	15,364	17,356

The Company's key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Officers, Chief Executive Officer and Chief Financial Officer.

Name and Relationship to Company	Transactions	Six months ended	Six months ended
		January 31, 2019	January 31, 2019
		\$	\$
Mosam Ventures Inc., a company controlled by a current director and officer	Management fees	45,000	45,000
Marc Levy, Chief Executive Officer	Benefits	2,314	4,628
Peter Lee, Director	Share-based payments	9,952	Nil

The following related party amounts were included in liabilities:

	January 31, 2019	July 31, 2018
	\$	\$
A company controlled by the Chief Executive Officer of the Company	397,543	353,149

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.

AVARONE METALS INC.

Management's Discussion and Analysis
For the six months ended January 31, 2019 and 2018

Financial Instruments and Risk Management

(a) Fair Value of Financial Instruments

As at January 31, 2019, 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.

(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, 2019, the Company had cash of \$15,358 to settle current liabilities of \$655,347.

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

AVARONE METALS INC.

Management's Discussion and Analysis

For the six months ended January 31, 2019 and 2018

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

During the period ended January 31, 2019, 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 period ended January 31, 2019.

Outstanding Share Data

As at March 19, 2019, the Company had 87,846,661 common shares outstanding. As at the same date there were 2,000,000 warrants outstanding at exercise prices from \$0.05 - \$0.085 per share. In addition, 7,065,000 stock options were outstanding at exercise prices from \$0.05 to \$0.085 per share.

AVARONE METALS INC.

Management's Discussion and Analysis

For the six months ended January 31, 2019 and 2018

Stock options outstanding and exercisable at March 19, 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
500,000	0.05	September 17, 2023	500,000
250,000	0.05	October 15, 2023	250,000
100,000	0.05	January 27, 2024	100,000
830,000	0.05	April 25, 2025	830,000
115,000	0.05	February 23, 2026	115,000
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
925,000	0.05	December 3, 2027	925,000
250,000	0.08	March 6, 2028	250,000
500,000	0.05	January 29, 2023	500,000
7,065,000			7,065,000

Warrants outstanding at March 19, 2019, are as follows:

Warrants Outstanding	Exercise Price	Expiry Date
1,000,000	\$0.085	March 20, 2020
1,000,000	\$0.05	November 20, 2023
2,000,000		

Additional Disclosure

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