

AVARON MINING CORP.

Financial Statements

March 31, 2025 and 2024

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Avaron Mining Corp.:

Opinion

We have audited the financial statements of Avaron Mining Corp. (the "Company"), which comprise the statements of financial position as at March 31, 2025, and 2024, and the statements of comprehensive loss, cash flows, and changes in equity for the years ended March 31, 2025, and 2024, and notes to the financial statements, including a summary of material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025, and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that as of March 31, 2025, the Company has no business operations, has not generated any revenues, and has incurred losses of \$1,158,141 since inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be a key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets

Description of the matter

As disclosed in Note 6 to the financial statements, the carrying amount of the Company's exploration and evaluation assets was \$514,957 as of March 31, 2025. Refer to Note 2 and Note 3 to the financial statements for a description of the accounting policy and significant judgments applied to exploration and evaluation assets.

At each reporting period end, management assesses whether there is an indication that the carrying value of exploration and evaluation assets may not be recoverable. Management applies significant judgement in assessing whether indicators of impairment exist that necessitate impairment testing. Internal and external factors are evaluated by management in determining whether there are any indicators of impairment. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (iv) sufficient data exists to indicate that the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

Management determined that there were no indicators of impairment for its exploration and evaluation assets as at March 31, 2025.

Why the matter is a key audit matter

We considered this a key audit matter due to (i) the significance of the exploration and evaluation assets balance and (ii) the judgments made by management in its assessment of indicators of impairment related to exploration and evaluation assets, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

How the matter was addressed in the audit

In order to address this key audit matter, we evaluated and assessed the reasonableness of management's assessment of impairment indicators which included, amongst other procedures:

- Assessing the Company's right to explore exploration and evaluation assets, including sending a confirmation request to the optionor to ensure good standing of the agreements;
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the exploration and evaluation assets are in good standing;
- Enquiring with management and reviewing exploration budgets and technical reports, where available, to assess that further exploration and evaluation activities in the area of interest is planned;
- Assessing whether sufficient data exists to indicate that the carrying amount of an exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale;
- Assessing the completeness of the factors that could be considered indicators of impairment, including consideration of evidence obtained in other areas of the audit; and
- Assessed the reasonability of the Company's financial statement disclosure regarding their exploration and evaluation assets.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aaron D. Oye.

The image shows a handwritten signature in black ink that reads "Lancaster & David". The script is cursive and fluid, with the ampersand being particularly stylized.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
June 26, 2025

Avaron Mining Corp.

Statements of Comprehensive Loss

Years ended March 31, 2025 and 2024

(Expressed in Canadian Dollars)

	Note	Year Ended March 31,	
		2025	2024
Operating Costs			
Project evaluation costs		\$ 4,077	\$ 36,524
Listing and filing		12,770	45,067
Management and consulting	8	165,352	183,313
Marketing and shareholder information		22,267	70,571
Travel, meals and accommodation		25,106	14,277
Office and miscellaneous	8	26,393	18,482
Professional fees		19,000	49,210
Share-based payments	7	52,033	39,464
Net loss and comprehensive loss		(326,998)	(456,908)
Loss per share - basic and diluted		\$ (0.02)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted		13,726,497	12,674,776

See accompanying notes to the financial statements

Avaron Mining Corp.
 Statements of Financial Position
 (Expressed in Canadian Dollars)

	Note	March 31, 2025	As at: March 31, 2024
ASSETS			
Current Assets			
Cash	\$	140,106	\$ 376,006
Amounts receivable		14,569	13,183
Prepaid expenses		35,738	58,646
		190,413	447,835
Exploration and evaluation assets	6	514,957	496,437
Total Assets	\$	705,370	\$ 944,272
LIABILITIES			
Current Liabilities			
Trade and other payables	8	\$ 47,471	\$ 59,418
Total Liabilities		47,471	59,418
EQUITY			
Share capital	7	1,043,248	1,043,248
Equity reserves	7	724,782	672,749
Subscriptions received	7,11	48,010	-
Deficit		(1,158,141)	(831,143)
Total Equity		657,899	884,854
Total Liabilities and Equity	\$	705,370	\$ 944,272

Nature and Continuation of Operations (Note 1)
 Subsequent Events (Note 11)

Approved on behalf of the Board:

"Miloje Vicentijevic"
 Miloje Vicentijevic, President, CEO and Director

"Carlos Escribano"
 Carlos Escribano, CFO and Director

See accompanying notes to the financial statements

Avaron Mining Corp.

Statements of Cash Flows

Years ended March 31, 2025 and 2024

(Expressed in Canadian Dollars)

	Note	Year Ended March 31,	
		2025	2024
Cash Flow from Operating Activities			
Net loss for the year		\$ (326,998)	\$ (456,908)
Adjustments for non-cash items:			
Share-based payments	7	52,033	39,464
Changes in non-cash working capital:			
Amounts receivable		(1,386)	(13,183)
Prepaid expenses		22,908	(44,212)
Trade and other payables		(11,947)	(16,864)
Net cash flows used in operating activities		(265,390)	(491,703)
Cash Flow from Investing Activities			
Additions to exploration and evaluation assets	6	(18,520)	(57,570)
Net cash flows used in investing activities		(18,520)	(57,570)
Cash Flow from Financing Activities			
Net proceeds from common shares issued	7	-	549,900
Subscriptions received	7	48,010	-
Net cash flows provided by financing activities		48,010	549,900
Net change in cash		(235,900)	627
Cash, Beginning of Year		376,006	375,379
Cash, End of Year		\$ 140,106	\$ 376,006
Non-Cash Investing and Financing Activities			
Warrants issued for exploration and evaluation assets		\$ -	\$ 438,867

See accompanying notes to the financial statements

Avaron Mining Corp.

Statement of Changes in Equity

Years ended March 31, 2025 and 2024

(Expressed in Canadian Dollars)

	Note	Common Shares		Equity	Subscriptions	Deficit	Total
		Number	Amount	Reserves	Received		
Balance, March 31, 2023		9,144,000	\$ 619,102	\$ 68,664	\$ -	\$ (374,235)	\$ 313,531
Shares issued:							-
Private placement	7	4,582,497	424,146	125,754	-	-	549,900
Warrants issued for exploration and evaluation assets	6	-	-	438,867	-	-	438,867
Share-based payments	7	-	-	39,464	-	-	39,464
Net loss		-	-	-	-	(456,908)	(456,908)
Balance, March 31, 2024		13,726,497	\$ 1,043,248	\$ 672,749	\$ -	\$ (831,143)	\$ 884,854
Share-based payments	7	-	-	52,033	-	-	52,033
Subscriptions received	7	-	-	-	48,010	-	48,010
Net loss		-	-	-	-	(326,998)	(326,998)
Balance, March 31, 2025		13,726,497	\$ 1,043,248	\$ 724,782	\$ 48,010	\$ (1,158,141)	\$ 657,899

See accompanying notes to the financial statements

Avaron Mining Corp.

Notes to the Financial Statements

March 31, 2025

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Avaron Mining Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on February 8, 2021. The Company was a Capital Pool Company (“CPC”), as defined by the TSX Venture Exchange (the “Exchange”) Policy 2.4, until completion of its Qualifying Transaction on June 29, 2023, whereby it acquired the sole and exclusive right to purchase an undivided 100% interest in and to certain mineral mining leases in south-central Serbia known collectively as the Tolisnica and Stanca Property (see Note 6). Subsequent to the completion of its Qualifying Transaction, the Company’s principal business plan is to acquire, explore and develop mineral properties and ultimately seek earnings by exploiting mineral claims. Effective July 25, 2023, the Company changed its name from Benz Capital Corp. to Avaron Mining Corp. The Company’s shares trade on the TSX Venture Exchange under the symbol “AVR”. The Company’s registered office is located at 3847 Vance Road, Cultus Lake, BC, Canada, V2R 5A6.

These financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at March 31, 2025, the Company has no business operations, has not generated any revenues, and has incurred losses of \$1,158,141 since inception. The Company is required to raise new financing through the sale of shares or issuance of debt to continue with its operations and to develop its exploration and evaluation assets. Although management intends to secure additional financing, there is no assurance that management will be successful in its efforts to secure additional financing, or that it will ever develop a self-supporting business. These factors together may raise significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance and Basis of Measurement

The Company prepares its annual financial statements (the “Financial Statements”) in accordance 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”).

All financial information is reported in the Company’s functional and presentation currency, being the Canadian dollar, unless otherwise noted. These Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Financial Statements were approved by the Board of Directors on June 26, 2025.

Use of Estimates and Judgements

The preparation of the Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements 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. However, actual outcomes can differ from these estimates.

Avaron Mining Corp.

Notes to the Financial Statements

March 31, 2025

(Expressed in Canadian Dollars)

Critical Judgments

Information about significant areas of judgment considered by management in preparing the Financial Statements is as follows:

Going Concern

The preparation of these Financial Statements requires management to make judgments regarding the going concern assumption for the Company as discussed in Note 1. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Impairment Indicators

The assessment of impairment indicators as required by IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and International Accounting Standard ("IAS") 36, *Impairment of Assets*, requires management to make judgments in estimates for costs, future commodity prices or recoverable reserves underlying its exploration and evaluation assets.

Key Sources of Estimation Uncertainty

The information about significant areas of estimation uncertainty considered by management in preparing the Financial Statements is as follows:

Carrying Value and Recoverability of Exploration and Evaluation Assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the assets and properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets. To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Avaron Mining Corp.

Notes to the Financial Statements

March 31, 2025

(Expressed in Canadian Dollars)

Deferred Tax Assets and Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves and future profitable operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Share-based Payments

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Cash and Cash Equivalents

Cash and cash equivalents includes cash held with banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

Financial Instruments

Financial assets and financial liabilities are classified into three categories: Amortized Cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit and Loss ("FVPL"). The classification of financial assets is determined by their context in the Company's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

The Company's cash, amounts receivable and trade and other payables are measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company has no financial instruments measured at FVPL or FVOCI.

Impairment of financial assets is determined by measuring the assets' expected credit loss ("ECL"). Amounts are due within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime ECL is measured at the date of initial recognition of the amounts receivable.

Avaron Mining Corp.

Notes to the Financial Statements

March 31, 2025

(Expressed in Canadian Dollars)

Exploration and Evaluation Assets

Mineral property interest acquisition costs are recorded at historical cost. Exploration and evaluation expenditures are capitalized except for those expenditures incurred on properties prior to obtaining legal rights to explore the specific area which are recognized in profit or loss as incurred. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to development assets within property, plant and equipment.

The carrying values of exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When impairment indicators exist, the asset's recoverable amount is estimated. If it is determined that the estimated recoverable amount is less than the carrying value of an asset, then a write-down is recognized in profit or loss. An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Restoration and Environmental Obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. The Company currently has no measurable obligations for restoration and environmental costs.

Loss per Share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. For this purpose, the "treasury stock method" is used which assumes proceeds upon the exercise of share options and warrants are used to purchase common shares at the average market price during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

Avaron Mining Corp.

Notes to the Financial Statements

March 31, 2025

(Expressed in Canadian Dollars)

Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

The Company's common shares, and any future offerings of share warrants and options are classified as equity instruments. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

The Company uses a pro-rata method for the measurement of shares and warrants issued as units in financing arrangements. Under the pro-rata method, the gross proceeds are allocated to the common shares and the warrants based on the relative fair value of each component. The fair value of the warrants is based on the value on the closing date of the transaction using the Black-Scholes Option Pricing Model. The value attributed to the warrants is recorded to equity reserves. If the warrants are exercised, the value attributable to the warrants is transferred to common shares.

Share-based Payments

The Company applies the fair value method of accounting for stock option awards using the Black-Scholes Option Pricing Model. Under this method, the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, for each vesting installment, over the vesting period of the options. Each installment is valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures and changes in forfeiture estimates in subsequent periods.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Avaron Mining Corp.

Notes to the Financial Statements

March 31, 2025

(Expressed in Canadian Dollars)

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Foreign Currency Translation

The Company's functional currency, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of comprehensive loss.

Recent Accounting Pronouncements

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 carries forward many requirements from IAS 1 unchanged but introduces significant changes to how information is communicated in financial statements, in particular the structure of the statement of profit or loss to include defined categories and new defined subtotals, enhanced transparency of management-defined performance measures, and enhanced guidance on how companies group information in the financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard but does not expect it to have a material impact on the financial statements.

All other new accounting standards and amendments to existing standards that have been issued and that the Company will be required to adopt in future years are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets. The Company does not have any externally imposed capital requirements.

Avaron Mining Corp.

Notes to the Financial Statements

March 31, 2025

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, amounts receivable, and trade and other payables. The fair value of the financial instruments approximates their carrying values due to the relatively short-term maturity of these instruments, unless otherwise noted. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company deposits cash with high credit quality financial institutions and credit risk is considered to be minimal. The Company's amounts receivable consists of Government Sales Tax receivable from Canada Revenue Agency. The carrying amount of financial assets represents the maximum credit exposure.

b) *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 risk that the Company will realize a cash loss is limited as the Company's liabilities are non-interest bearing. As at March 31, 2025, the Company is not exposed to any significant interest rate risk.

c) *Foreign exchange risk*

Foreign exchange rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in the currencies that differ from the respective functional currency. The Company's exploration and evaluation assets are located in Serbia. Future exploration programs may be denominated in the Serbian Dinar or Euro. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

d) *Liquidity risk*

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2025, the Company had a cash balance of \$140,106 to settle current liabilities of \$47,471. Additional funding will be required to meet longer-term business objectives.

e) *Price risk*

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

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Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The financial position carrying amounts for cash, and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

6. EXPLORATION AND EVALUATION ASSETS

On January 10, 2023, as amended on June 1, 2024, and December 27, 2024, the Company entered into a Purchase Agreement with Copper Co d.o.o. (the “Vendor”), whereby it was granted the right to acquire a 100% interest (the “Right to Purchase”) in certain mineral claims known as the Tolisnica and Stanca Project, located near the city of Kraljevo in the Republic of Serbia (the “Property”). On June 27, 2023, the Company received Exchange approval of the Purchase Agreement (the “Effective Date”) and, as a result, completed its Qualifying Transaction on June 29, 2023.

In order to maintain the Right to Purchase until it is exercise, the Company must:

- (a) pay \$25,000 within 5 days of the date of the Effective Date (paid);
 - (b) issue 4,300,000 warrants exercisable at \$0.125 per share exercisable for a period of 5 years, within 5 days of the Effective Date (issued with a fair value of \$438,867 – Note 7); and
 - (c) pay an additional \$100,000 on the 30-month anniversary of the Effective Date
- (together, the “Purchase Payments”)

If the Company makes the Purchase Payments, the Company may exercise its Right to Purchase by giving written notice of such election to the Vendor on or before the 30-month anniversary of the Effective Date.

Following the exercise of the Right to Purchase of the Property, the Company will be required to make milestone payments to the Vendor as follows:

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- (a) pay the Vendor \$200,000 in cash within 5 business days of the earlier of: (i) the commencement of a scoping study on the Property; or (ii) the 5th anniversary of the Effective Date; and
- (b) grant the Vendor a 0.5% net smelter returns royalty within 5 business days of the commencement of commercial production on the Property.

If the Company fails to give notice of its election to exercise its Right to Purchase on or before the 30-month anniversary of the Effective Date, the Company shall be deemed to have irrevocably elected not to exercise its Right to Purchase, the Right to Purchase shall terminate, and the Agreement will terminate, in which case the Vendor shall retain its 100% recorded and leasehold interest in and to the Property.

The following table reconciles the changes in the Company's exploration and evaluation assets:

Balance at March 31, 2023	\$	-
Acquisition costs		463,867
Exploration costs:		
Studies and reports		23,787
Maintenance costs		8,783
Balance at March 31, 2024	\$	496,437
Exploration costs:		
Maintenance costs		18,520
Balance at March 31, 2025	\$	514,957

7. SHARE CAPITAL

Authorized:

Unlimited common shares, without par value

Issued:

On June 23, 2023, the Company closed a non-brokered private placement of units, consisting of 4,582,497 common shares at a price of \$0.12 per common share and 2,291,248 common share purchase warrants (the "Warrants"), for gross proceeds of \$549,900. Each Warrant entitles the holder to purchase one common share in the capital of the Company (a "Warrant Share") at a price of \$0.15 per Warrant Share until June 23, 2025. If during the term of the Warrants, but after the initial four month hold period has expired, the Company's common shares trade at or above a weighted average trading price of \$0.25 per share for 15 consecutive trading days, the Company may accelerate the expiry time of the Warrants by giving written notice to Warrant holders that the Warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the private placement were subject to a four-month hold period from the date of issue. Cash proceeds from the private placement of \$424,146 and \$125,754 were allocated to the common shares and warrants issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement. The Company did not pay any agent's commissions or finder's fees in connection with the private placement.

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Subscriptions Received:

As at March 31, 2025, the Company received share subscriptions of \$48,010 related to a private placement which closed subsequent to the year ended March 31, 2025 (Note 11).

Escrow Shares:

The Company had 3,600,000 common shares subject to an escrow agreement in accordance with the Exchange Policy 2.4. On June 29, 2023, 25% (900,000 shares) were released upon the issuance of notice of final acceptance of a Qualifying Transaction by the Exchange. A further 25% (900,000 shares) were released on December 29, 2023. On June 29, 2024, 25% (900,000 shares) were released and on December 29, 2024, the remaining 900,000 common shares were released. No shares are currently held in escrow.

Warrants:

A summary of changes in share purchase warrants is present below:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2023	-	-
Issued pursuant to non-brokered private placement	2,291,248	0.15
Issued pursuant to the Purchase Agreement (Note 6)	4,300,000	0.125
Balance, March 31, 2025 and 2024	6,591,248	\$ 0.13

During the year ended March 31, 2024, the Company recognized the fair value of warrants issued pursuant to the non-brokered private placement of \$125,754, based on the relative fair value of the unit components, and the fair value of warrants issued pursuant to the Purchase Agreement of \$438,867.

The fair value of warrants issued were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	March 31, 2025	March 31, 2024
Weighted average assumptions:		
Risk-free interest rate	-	3.78-4.66%
Expected dividend yield	-	0%
Expected life (years)	-	2-5 years
Expected stock price volatility	-	131.99% to 139.53%

Warrants outstanding at March 31, 2025 are as follows:

Number of Warrants Outstanding	Exercise Price (\$)	Expiry Date
2,291,248	0.15	June 23, 2025*
4,300,000	0.125	June 29, 2028
6,591,248	0.13	

* Expired subsequently (Note 11)

The weighted average life of warrants outstanding at March 31, 2025, was 2.2 years (2024 – 3.2 years).

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Stock Options:

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, nontransferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant.

The Board of Directors determines the exercise price per common shares, the number of options granted to individual directors, officers, employees and consultants and all other terms and conditions of the options. The Option Plan is subject to regulatory approval.

On July 20, 2023, the Company granted an aggregate of 555,000 stock options to certain of its directors, officers and consultants, at an exercise price of \$0.10 per share for a period of 5 years from the date of issuance. The options fully vested on the date of grant.

On December 6, 2024, the Company granted an aggregate of 814,000 stock options to certain of its directors, officers and consultants, at an exercise price of \$0.10 per share for a period of 5 years from the date of issuance. The options fully vested on the date of grant.

A summary of changes in stock options is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2023	814,000	\$ 0.10
Stock options granted	555,000	0.10
Balance, March 31, 2024	1,369,000	\$ 0.10
Stock options expired	(814,000)	0.10
Stock options granted	814,000	0.10
Balance, March 31, 2025	1,369,000	\$ 0.10
Exercisable, March 31, 2025	1,369,000	\$ 0.10

During the year ended March 31, 2025, the Company recorded share-based payments of \$52,033 (2024 - \$39,464), of which \$36,051 (2024 - \$38,487) pertained to officers and directors of the Company. The fair value of stock options granted were estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	March 31, 2025	March 31, 2024
Weighted average assumptions:		
Risk-free interest rate	2.91%	3.86% to 4.54%
Expected dividend yield	0%	0%
Expected option life (years)	5	1.3 to 5.0
Expected stock price volatility	157.50%	139.7% to 149.1%

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Stock options outstanding at March 31, 2025 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Life (yrs)
555,000	555,000	\$ 0.10	July 19, 2028	3.30
814,000	814,000	0.10	December 5, 2029	4.68
1,369,000	1,369,000	\$ 0.10		4.13

Agents Options:

Pursuant to the IPO on October 4, 2021, the Company granted to the agent non-transferable options ("Agent Options") with a fair value of \$23,684 to acquire up to an aggregate of 344,400 common shares. Each Agent's Option is exercisable to acquire one common share at an exercise price of \$0.10 per share until June 29, 2025.

8. RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

a) Key Management Compensation

Key management personnel include the members of the Board of Directors and officers of the Company, who have the authority and responsibility for planning, directing, and controlling the activities of the Company. The remuneration of directors and officers for the years ended March 31, 2025, and 2024, was as follows:

	Year Ended March 31,	
	2025	2024
Management fees to officers and directors	\$ 165,352	\$ 183,313
Rent expense to an officer*	\$ 12,000	\$ 9,000
Share-based payments to officers and directors	36,051	38,487
	\$ 213,403	\$ 230,800

*Included in office and miscellaneous

b) In the normal course of operations, the Company transacts with companies related to its directors or officers. The following amounts are payable to related parties, and are included in trade and other payables:

	At March 31,	
	2025	2024
Due to directors and officers	\$ 22,996	\$ 41,235

The amounts payable to related parties are unsecured, non-interest bearing and due on demand.

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9. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes during the years ended March 31, 2025, and 2024, is as follows:

	2025	2024
Statutory rates	27%	27%
Loss before income taxes	\$ (326,998)	\$ (456,908)
Expected income tax recovery	88,289	123,365
Permanent and other differences	(133,233)	(11,378)
Unrecognized benefit	44,944	(111,987)
Net income tax recovery	\$ –	\$ –

The significant components of the Company's future income tax assets as at March 31, 2025, and 2024, are as follows:

	2025	2024
Future income tax asset:		
Non-capital losses	\$ 172,433	\$ 212,145
Share issuance costs	7,861	13,093
	180,294	225,238
Less: valuation allowance	(180,294)	(225,238)
Net future income tax assets	\$ –	\$ –

At March 31, 2025, the Corporation has non-capital losses of approximately \$1,077,000 that may be carried forward to offset future taxable income. These losses expire in the years 2041 to 2045.

The Company also has available mineral resource-related expenditure pools of approximately \$76,000, which may be deducted against certain future taxable income on a discretionary basis.

10. SEGMENTED INFORMATION

The Company's operations are limited to a single reportable segment, being mineral exploration and evaluation. As at March 31, 2025, and 2024, all of the Company's exploration and evaluation assets are located solely in Serbia.

In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

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11. SUBSEQUENT EVENTS

Subsequent to the year ended March 31, 2025, the Company closed a non-brokered private placement for gross proceeds of \$66,000, of which \$48,010 was received at March 31, 2025. Under the terms of the private placement, the Company issued 1,320,000 common shares at a price of \$0.05 per share.

Subsequent to the year ended March 31, 2025, a total of 2,291,248 warrants with an exercise price of \$0.15 per share expired unexercised.