

# **QUADRO RESOURCES LTD.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

Three Months Ended October 31, 2021

(Unaudited – Prepared by Management)

#### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT**

The accompanying unaudited interim financial report of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report.

**QUADRO RESOURCES LTD.**

## Interim Statements of Financial Position

(Unaudited – Prepared by Management)

|                                                    |    | October 31,<br>2021 |    | July 31,<br>2021 |
|----------------------------------------------------|----|---------------------|----|------------------|
| <b>ASSETS</b>                                      |    |                     |    |                  |
| <b>Current</b>                                     |    |                     |    |                  |
| Cash                                               | \$ | 628,362             | \$ | 1,450,445        |
| Receivable (Note 4)                                |    | 101,572             |    | 37,669           |
|                                                    |    | 729,934             |    | 1,488,114        |
| <b>Non-current</b>                                 |    |                     |    |                  |
| Equipment (Note 5)                                 |    | 1,618               |    | 2,106            |
| Exploration and evaluation assets (Note 6, Note 8) |    | 3,356,275           |    | 2,802,207        |
|                                                    |    | 3,357,893           |    | 2,804,313        |
| <b>Total assets</b>                                | \$ | 4,087,827           | \$ | 4,292,427        |
| <b>LIABILITIES</b>                                 |    |                     |    |                  |
| <b>Current</b>                                     |    |                     |    |                  |
| Flow through liability (Note 9)                    | \$ | -                   | \$ | 98,613           |
| Trade and other payables (Note 7)                  |    | 83,198              |    | 229,605          |
| Amounts due to related parties (Note 8)            |    | 5,000               |    | 5,000            |
|                                                    |    | 88,198              |    | 333,218          |
| <b>Total liabilities</b>                           |    | 88,198              |    | 333,218          |
| <b>SHAREHOLDERS' EQUITY</b>                        |    |                     |    |                  |
| Share capital (Note 10)                            |    | 15,384,471          |    | 15,360,471       |
| Share-based payment reserve (Note 11)              |    | 1,303,845           |    | 1,303,845        |
| Deficit                                            |    | (12,688,687)        |    | (12,705,107)     |
| <b>Total shareholders' equity</b>                  |    | 3,999,629           |    | 3,959,209        |
| <b>Total liabilities and shareholders' equity</b>  | \$ | 4,087,827           | \$ | 4,292,427        |

**Nature of operations and going concern (Note 1)**

The financial statements were authorized for issue by the Board of Directors on November 30, 2021 and were signed on behalf by:

"T. Barry Coughlan"  
Director

"Brian Corrall"  
Director

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

**QUADRO RESOURCES LTD.**

Interim Statements of Operations and Comprehensive Income (Loss)  
(Unaudited – Prepared by Management)

|                                                                             | Three Months ended  |                     |
|-----------------------------------------------------------------------------|---------------------|---------------------|
|                                                                             | October 31,<br>2021 | October 31,<br>2020 |
| <b>Expenses</b>                                                             |                     |                     |
| Accounting and audit                                                        | \$ 1,200            | \$ 2,500            |
| Consulting                                                                  | 17,294              | 47,038              |
| Depreciation (Note 5)                                                       | 488                 | 380                 |
| Legal fees                                                                  | -                   | 684                 |
| Management fees (Note 8)                                                    | 37,500              | 25,500              |
| Media and news dissemination                                                | -                   | 3,250               |
| Office and miscellaneous                                                    | 5,445               | 12,443              |
| Rent                                                                        | 15,083              | 2,625               |
| Transfer agent and filing fees                                              | 902                 | 16,679              |
| Travel and promotion                                                        | 4,281               | 4,188               |
| Total expenses                                                              | (82,193)            | (115,287)           |
| Flow through premium recovery                                               | 98,613              | -                   |
|                                                                             | 98,613              | -                   |
| Net income(loss) and comprehensive income(loss) for the period              | 16,420              | (115,287)           |
| Basic and diluted net loss per share                                        | \$ 0.00             | \$ (0.00)           |
| Weighted average number of common shares<br>outstanding (basic and diluted) | 72,879,050          | 51,578,107          |

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

**QUADRO RESOURCES LTD.**

## Interim Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

|                                                  | Number of<br>shares issued | Share capital        | Share-based payment<br>reserve | Deficit                | Total               |
|--------------------------------------------------|----------------------------|----------------------|--------------------------------|------------------------|---------------------|
| <b>Balance, July 31, 2020</b>                    | <b>51,390,498</b>          | <b>\$ 13,608,755</b> | <b>\$ 867,599</b>              | <b>\$ (11,904,131)</b> | <b>\$ 2,572,223</b> |
| Acquisition of exploration and evaluation assets | 300,000                    | 58,500               | -                              | -                      | 58,500              |
| Exercised of warrants                            | 260,000                    | 13,000               | -                              | -                      | 13,000              |
| Comprehensive loss for the period                | -                          | -                    | -                              | (115,287)              | (115,287)           |
| <b>Balance, October 31, 2020</b>                 | <b>51,950,498</b>          | <b>\$ 13,680,255</b> | <b>\$ 867,599</b>              | <b>\$ (12,019,418)</b> | <b>\$ 2,528,436</b> |

|                                                  | Number of<br>shares issued | Share capital        | Share-based payment<br>reserve | Deficit             | Total               |
|--------------------------------------------------|----------------------------|----------------------|--------------------------------|---------------------|---------------------|
| <b>Balance, July 31, 2021</b>                    | <b>72,621,441</b>          | <b>15,360,471</b>    | <b>1,303,845</b>               | <b>(12,705,107)</b> | <b>\$ 3,959,209</b> |
| Acquisition of exploration and evaluation assets | 300,000                    | 24,000               | -                              | -                   | 24,000              |
| Comprehensive loss for the period                | -                          | -                    | -                              | 16,420              | 16,420              |
| <b>Balance, October 31, 2021</b>                 | <b>72,921,441</b>          | <b>\$ 15,384,471</b> | <b>\$ 1,303,845</b>            | <b>(12,688,687)</b> | <b>\$ 3,999,629</b> |

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

**QUADRO RESOURCES LTD.**Interim Statements of Cash Flows  
(Unaudited – Prepared by Management)

|                                             | Three Months ended  |                     |
|---------------------------------------------|---------------------|---------------------|
|                                             | October 31,<br>2021 | October 31,<br>2020 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b> |                     |                     |
| Net income(loss) for the period             | \$ 16,420           | \$ (115,287)        |
| Adjustments for:                            |                     |                     |
| Depreciation                                | 488                 | 380                 |
| Flow through liability                      | (98,613)            | -                   |
| Changes in non-cash working capital items:  |                     |                     |
| Receivable                                  | (63,903)            | (43,559)            |
| Prepaid expenses                            | -                   | 25,000              |
| Trade and other payables                    | (146,407)           | (16,420)            |
| Net cash used in operating activities       | (292,015)           | (149,886)           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b> |                     |                     |
| Exploration and evaluation assets           | (530,068)           | (357,747)           |
| Purchase of equipment                       | -                   | (1,717)             |
| Net cash used in investing activities       | (530,068)           | (359,464)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |                     |                     |
| Proceeds from issuance of share capital     | -                   | 13,000              |
| Net cash provided by financing activities   | -                   | 13,000              |
| <b>Decrease in cash</b>                     | <b>(822,083)</b>    | <b>(496,350)</b>    |
| <b>Cash, beginning of the period</b>        | <b>1,450,445</b>    | <b>812,187</b>      |
| <b>Cash, end of the period</b>              | <b>\$ 628,362</b>   | <b>\$ 315,837</b>   |

**Supplemental disclosure with respect to cash flows (Note 12)**

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

## **1. NATURE OF BUSINESS AND GOING CONCERN**

Quadro Resources Ltd. (the "Company") was incorporated under the laws of British Columbia, Canada and maintains its head office and registered office at Suite 1400, 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1. The Company is primarily engaged in the acquisition, exploration and development of exploration and evaluation assets in Canada. The Company is listed on the TSX Venture Exchange (TSX-V) under the symbol "QRO", on the OTCQB under the symbol "QDROF", and on the Frankfurt Stock Exchange under the symbol "G4O2".

### Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

At present, the Company's operations do not generate cash flow. The Company has incurred losses since inception and had an accumulated deficit of \$12,688,687 as at October 31, 2021, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to raise adequate financing, identify economically recoverable reserves and to commence profitable operations in the future.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence. These adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds at this time.

## **2. BASIS OF PREPARATION**

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting. The condensed interim financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended October 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

## **2. BASIS OF PREPARATION (cont'd...)**

### **Basis of measurement**

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **Significant estimates and assumptions**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

- i) The determination of the fair value of stock options and warrants using stock pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
- ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- iii) Recorded costs of flow-through share premium liabilities reflect the premium received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainty and requires the Company to assess the value of non-flow through shares. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.
- iv) Option or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares received. Many factors can enter into this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

## **2. BASIS OF PREPARATION (cont'd...)**

### **Significant judgments**

The preparation of these financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting date, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

- ii) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.
- iii) The classification of financial instruments.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out in the Company's annual financial statements for the year ended July 31, 2021 were consistently applied to all the periods presented unless otherwise noted below.

New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2021 that impacted the Company's interim financial statements.

## **4. RECEIVABLES**

|                       | October 31, 2021 |         | July 31, 2021 |        |
|-----------------------|------------------|---------|---------------|--------|
| Sales tax recoverable | \$               | 82,101  | \$            | 18,198 |
| Other                 |                  | 19,471  |               | 19,471 |
|                       | \$               | 101,572 | \$            | 37,669 |

**5. EQUIPMENT**

| Computer equipment               |    |       |
|----------------------------------|----|-------|
| <b>Cost:</b>                     |    |       |
| At July 31, 2020                 | \$ | 2,183 |
| Addition                         |    | 1,717 |
| At July 31, 2021                 | \$ | 3,900 |
| <b>Accumulated depreciation:</b> |    |       |
| At July 31, 2020                 |    | 546   |
| Depreciation                     |    | 1,248 |
| At July 31, 2021                 | \$ | 1,794 |
| <b>Net book value:</b>           |    |       |
| At July 31, 2021                 | \$ | 2,106 |
| <b>Cost:</b>                     |    |       |
| At July 31, 2020                 | \$ | 3,900 |
| Additions                        |    | -     |
| At October 31, 2021              | \$ | 3,900 |
| <b>Accumulated depreciation:</b> |    |       |
| At July 31, 2020                 |    | 1,794 |
| Depreciation                     |    | 488   |
| At October 31, 2021              | \$ | 2,282 |
| <b>Net book value:</b>           |    |       |
| At October 31, 2021              | \$ | 1,618 |

**QUADRO RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS  
THREE MONTHS ENDED OCTOBER 31, 2021

**6. EXPLORATION AND EVALUATION ASSETS**

|                                                 | Seagull Lake<br>Property | Victoria Lake<br>Property | Careless Cove<br>& Yellow Fox<br>Property | Tulks South<br>Property | Other            | Total               |
|-------------------------------------------------|--------------------------|---------------------------|-------------------------------------------|-------------------------|------------------|---------------------|
| <b>Balance, July 31, 2020</b>                   | <b>\$ 160,000</b>        | <b>\$ 1,518,382</b>       | <b>\$ -</b>                               | <b>\$ -</b>             | <b>\$ 21,177</b> | <b>\$ 1,699,559</b> |
| Acquisition costs                               |                          |                           |                                           |                         |                  |                     |
| Option payments                                 | -                        | 65,000                    | 73,500                                    | 54,250                  | -                | 192,750             |
| Claim staking/maintenance costs                 | 2,877                    | -                         | -                                         | -                       | -                | 2,877               |
|                                                 | 2,877                    | 65,000                    | 73,500                                    | 54,250                  | -                | 195,627             |
| Deferred exploration expenditures               |                          |                           |                                           |                         |                  |                     |
| Assaying                                        | -                        | 46,380                    | -                                         | -                       | -                | 46,380              |
| Drilling                                        | -                        | 657,663                   | -                                         | -                       | -                | 657,663             |
| Equipment rental                                | -                        | 56,778                    | -                                         | -                       | -                | 56,778              |
| Geological consulting                           | -                        | 291,573                   | 1,238                                     | -                       | -                | 292,811             |
| Miscellaneous                                   | -                        | 5,528                     | -                                         | -                       | -                | 5,528               |
| Travel                                          | -                        | 87,838                    | -                                         | -                       | -                | 87,838              |
| Government grant adjustment                     | -                        | (77,100)                  | -                                         | -                       | -                | (77,100)            |
|                                                 | -                        | 1,068,660                 | 1,238                                     | -                       | -                | 1,069,898           |
| Net cost for the year                           | \$ 2,877                 | \$ 1,133,660              | \$ 74,738                                 | \$ 54,250               | \$ -             | \$ 1,265,525        |
| Write-down of exploration and evaluation assets | \$ (162,877)             | \$ -                      | \$ -                                      | \$ -                    | \$ -             | \$ (162,877)        |
| <b>Balance, July 31, 2021</b>                   | <b>\$ -</b>              | <b>\$ 2,652,042</b>       | <b>\$ 74,738</b>                          | <b>\$ 54,250</b>        | <b>\$ 21,177</b> | <b>\$ 2,802,207</b> |

**QUADRO RESOURCES LTD.**  
NOTES TO THE FINANCIAL STATEMENTS  
THREE MONTHS ENDED OCTOBER 31, 2021

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

|                                                 |           | Seagull Lake<br>Property | Victoria Lake<br>Property | Careless Cove<br>& Yellow Fox<br>Property | Tulks South<br>Property | Other            | Total               |
|-------------------------------------------------|-----------|--------------------------|---------------------------|-------------------------------------------|-------------------------|------------------|---------------------|
| <b>Balance, July 31, 2021</b>                   | <b>\$</b> | <b>-</b>                 | <b>\$ 2,652,042</b>       | <b>\$ 74,738</b>                          | <b>\$ 54,250</b>        | <b>\$ 21,177</b> | <b>\$ 2,802,207</b> |
| Acquisition costs                               |           |                          |                           |                                           |                         |                  |                     |
| Option payments                                 |           | -                        | -                         | 44,000                                    | -                       | -                | 44,000              |
|                                                 |           | -                        | -                         | 44,000                                    | -                       | -                | 44,000              |
| Deferred exploration expenditures               |           |                          |                           |                                           |                         |                  |                     |
| Assaying                                        |           | -                        | 12,585                    | -                                         | -                       | -                | 12,585              |
| Drilling                                        |           | -                        | 356,032                   | -                                         | 65,750                  | -                | 421,782             |
| Equipment rental                                |           | -                        | 12,011                    | -                                         | -                       | -                | 12,011              |
| Geological consulting                           |           | -                        | 29,688                    | 3,200                                     | 18,150                  | -                | 51,038              |
| Miscellaneous                                   |           | -                        | -                         | -                                         | -                       | -                | -                   |
| Travel                                          |           | -                        | 6,224                     | -                                         | 6,428                   | -                | 12,652              |
|                                                 |           | -                        | 416,540                   | 3,200                                     | 90,328                  | -                | 510,068             |
| Net cost for the year                           | <b>\$</b> | <b>-</b>                 | <b>\$ 416,540</b>         | <b>\$ 47,200</b>                          | <b>\$ 90,328</b>        | <b>\$ -</b>      | <b>\$ 554,068</b>   |
| Write-down of exploration and evaluation assets | <b>\$</b> | <b>-</b>                 | <b>\$ -</b>               | <b>\$ -</b>                               | <b>\$ -</b>             | <b>\$ -</b>      | <b>\$ -</b>         |
| <b>Balance, October 31, 2021</b>                | <b>\$</b> | <b>-</b>                 | <b>\$ 3,068,582</b>       | <b>\$ 121,938</b>                         | <b>\$ 144,578</b>       | <b>\$ 21,177</b> | <b>\$ 3,356,275</b> |

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Victoria Lake Gold Project, Newfoundland and Labrador

The Company's Victoria Lake Gold project is located in west-central Newfoundland and comprises the following properties:

*Staghorn Property*

On June 6, 2017, the Company entered into an option agreement with Metals Creek Resources Corp. ("Metals Creek") and Benton Resources Inc. ("Benton") whereby the Company was granted an option to acquire a 100% interest in the Staghorn property, located in Newfoundland and Labrador, as well as all their rights to the Rose Gold property which is comprised of certain mineral claims contiguous to the Staghorn property. The Company issued 8,000,000 common shares (with a fair value of \$800,000) to Metals Creek and Benton and earned a 100% interest in the Staghorn property.

The Staghorn property is subject to Net Smelter Return ("NSR") royalties as outlined below:

- A royalty granted to Metals Creek and Benton representing a 3 kilometer area of interest that is subject to a 3% NSR in favour of Metals Creek and Benton, of which a 2% NSR can be purchased by the Company at any time for \$2,000,000.
- An existing royalty held by Ed Northcott and Gilbert Lushman representing a 3 kilometer area of interest that is subject to: i) a 2% NSR in favour of Ed Northcott and Gilbert Lushman, of which a 1% NSR can be purchased by the Company at any time for \$1,000,000; and (ii) a 1% NSR in favour of Metals Creek and Benton.

*Long Lake Property*

In November 2019, the Company entered into an option agreement to acquire a 100% interest in the Long Lake property, located in Newfoundland and Labrador by making staged cash payments totaling \$100,000 over three years (\$10,000 paid) and share issuances totaling 5,000,000 common shares (a total of 1,000,000 common shares issued) over three years (500,000 shares issued with a fair value of \$50,000 and \$30,000 in fiscal 2021 and fiscal 2020 respectively). The Long Lake property is subject to a 2% NSR, half of which can be purchased by the Company for \$1,500,000.

Seagull Lake Property, Ontario

In February 2020, the Company entered into a letter of intent to acquire a 70% interest in the Seagull Lake property near Thunder Bay, Ontario. Under the terms of the agreement, the Company paid \$25,000 non-refundable deposit and is required to make staged cash payments totaling \$250,000, issue 6,500,000 common shares and spend \$1,550,000 of exploration expenditures over three years as follows:

- Pay \$25,000 (paid) and issue 1,000,000 common shares (issued with a fair value of \$110,000) upon TSX-V approval (obtained on April 3, 2020);
- Pay \$100,000, issue 2,250,000 common shares, and incur exploration expenditures of \$300,000 by February 20, 2021;
- Pay \$125,000, issue 3,250,000 common shares, and incur additional exploration expenditures of \$500,000 by February 20, 2022; and
- Incur additional exploration expenditures of \$750,000 by February 20, 2023.

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Upon the Company earning the 70% interest, the Company and the optionor will form a joint venture for the further development of the property.

On January 11, 2021, the Company announced that it had withdrawn from the Seagull option agreement signed February 18, 2020. An impairment charge of \$162,877 was recorded against the property.

Careless Cove and Yellow Fox properties, Newfoundland and Labrador

On October 8, 2020, the Company signed a LOI with Metals Creek to earn a 100% interest in the Careless Cove and Yellow Fox properties in Newfoundland. To exercise its option, the Company is required to pay Metals Creek a total \$100,000 and 1,500,000 common shares of the Company according to the following schedule:

- (a) \$15,000 (paid) and 300,000 common shares (issued with a fair value of \$58,500) on signing;
- (b) \$20,000 and 300,000 common shares on the first anniversary;
- (c) \$20,000 and 400,000 common shares on the second anniversary; and
- (d) \$45,000 and 500,000 common shares on the third anniversary

Careless Cove and Yellow Fox properties is subject to a 2.0% NSR royalty on any future mineral production. The Company will have the right to purchase 50% of the NSR from Metals Creek for \$1,000,000.

On August 13, 2021, the Company issued 300,000 common shares and paid \$20,000 cash to Metals Creek in connection with its August 11, 2020, letter of intent for the Careless Cove/Yellow Fox properties.

Tulks South Property, Newfoundland and Labrador

On July 26, 2021, the Company signed a binding letter of intent with Buchans Minerals Corporation ("BMC") for the gold prospective Tulks South Property (the "Property"), located proximal to Quadro's Long Lake project, Newfoundland. The LOI sets out a proposed transaction (the "Proposed Transaction") pursuant to which Quadro has acquired from BMC an option to acquire a 51% interest (the "Initial Option") in BMC's claims which comprise the Property, followed by the right to acquire an additional 19% interest (the "Second Option" or "Joint Venture") in the event that BMC elects not to participate in work programs after Quadro has earned its initial 51% interest.

The LOI terms are as follows:

- 1. Initial Option.** Quadro may exercise the Initial Option by incurring \$500,000 of exploration expenditures on the Property as follows:
  - a) On signing of this LOI, Quadro will issue payment of \$54,250 to BMC as reimbursement for payment made by BMC in lieu of required assessment work, which will be reimbursed once assessment is filed.
  - b) Completing \$85,000 of Expenditures by the first anniversary of the LOI;
  - c) Completing a further \$110,000 of Expenditures on or before the second anniversary of the LOI;
  - d) Completing a further \$135,000 of Expenditures on or before the third anniversary of the LOI; and
  - e) Completing a further \$170,000 of Expenditures on or before the fourth anniversary of the LOI.
- 2. Second Option or Joint Venture.** Upon Quadro having incurred \$500,000 of exploration expenditures and exercised the Initial Option and submitted to BMC a technical report on the work completed during the Initial Option period and a proposed work program and budget for the next phase of exploration or development, BMC will have 60 days in which to:

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

- a) Elect to participate in a joint venture (the "Initial Joint Venture") with Quadro for the further development of the Property with Quadro having an initial 51% interest and BMC having an initial 49% interest; or
- b) Elect not to participate in the Initial Joint Venture in which case Quadro will have the right to exercise the Second Option by incurring a further \$250,000 of Expenditures within 12 months of BMC electing not to participate in the Initial Joint Venture and upon completion of such Expenditures the parties will form a joint venture with Quadro having a 70% interest and BMC having a 30% interest (the "Second Joint Venture").

In the event that Quadro fails to complete the Expenditures required to exercise the Second Option the parties will revert to forming the Initial Joint Venture.

After forming the Initial Joint Venture or the Second Joint Venture as the case may be, if a participant's interest is diluted to less than 10% its interest will be converted to a 2% NSR. The other participant will have the right to purchase fifty percent of the NSR (i.e. 1%) by paying the holder of the NSR \$1.5 million and such purchasing participant will have a right of first refusal on the remaining 1% NSR.

Other properties, Newfoundland and Labrador

During the year ended July 31, 2018, the Company staked two claim blocks totaling 122 claim units in the St. Anthony area on the Great Northern Peninsula, Newfoundland and Labrador for \$21,177.

**7. TRADE AND OTHER PAYABLES**

|                  | October 31, 2021 | July 31, 2021     |
|------------------|------------------|-------------------|
| Accounts payable | \$ 19,198        | \$ 55,100         |
| Accrued expenses | 64,000           | 174,505           |
|                  | <u>\$ 83,198</u> | <u>\$ 229,605</u> |

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

## 8. RELATED PARTY TRANSACTIONS

Included in amounts due to related parties are \$5,000 (July 31, 2021 - \$5,000) in advances from the President of the Company. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

Included in receivables are \$19,471 (July 31, 2021 - \$19,471) of sublease payment due from a company with directors in common with the Company.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the periods ended October 31, 2021 and 2020 is as follows:

|                            | Three Months ended |                  |
|----------------------------|--------------------|------------------|
|                            | October 31, 2021   | October 31, 2020 |
| Geological consulting fees | 18,000             | 18,000           |
| Management fees            | 37,500             | 25,500           |
|                            | \$ 55,500          | \$ 43,500        |

The Company entered into the following related party transactions during the three months ended October 31, 2021:

- a) Paid or accrued management fees of \$24,000 (2020 - \$28,000) to a company controlled by the Chief Executive Officer of the Company for management services provided.
- c) Incurred geological consulting of \$18,000 (2020 - \$18,000) to a company controlled by an officer of the Company. The geological consulting fees were capitalized as Exploration and Evaluation Assets in the Statements of Financial Position.

## 9. FLOW THROUGH LIABILITY

During the year ended July 31, 2021, the Company issued 6,043,943 flow-through shares at a price of \$0.17 per share for gross proceeds of \$1,027,470 (the "Financing") and recognized a flow-through premium liability of \$241,758, as the difference between the flow-through share price and the non-flow-through share price in the concurrent offering. During the year ended July 31, 2021, the Company incurred qualifying exploration expenses, subsequent to the Financing, of \$608,364 which reduced the flow-through share premium liability by \$143,145, and which the Company recognized as other income on settlement of flow-through share premium liability. The flow-through premium liability outstanding relating to these flow-through shares is \$98,613 as at July 31, 2021.

During the three months ended October 31, 2021, the Company incurred qualifying exploration expenses of \$510,068 which reduced the flow-through share premium liability by \$98,613, and which the Company recognized as other income on settlement of flow-through share premium liability. The flow-through premium liability outstanding relating to these flow-through shares is \$nil as at October 31, 2021.

## **10. SHARE CAPITAL**

### **Authorized share capital**

The Company has authorized an unlimited number of common shares with no par value.

### **Issued share capital**

At October 31, 2021, the Company had 72,921,441 common shares issued and outstanding (July 31, 2021 - 72,621,441).

### **Share issuance**

During the three months ended October 31, 2020, the Company:

Issued 300,000 common shares pursuant to Metals Creek for the Careless Cove/Yellow Fox properties.

During the year ended July 31, 2021, the Company:

- i) Issued 300,000 common shares pursuant to the Careless Cove and Yellow Fox property agreement (Note 6) with a fair value of \$58,500.
- ii) Issued 9,187,000 common shares at \$0.05 per share upon the exercise of warrants for proceeds of \$459,350.
- iii) Issued 1,000,000 common shares pursuant to the Long Lake property agreement (Note 6) with a fair value of \$50,000.
- iv) Completed a private placement of 4,700,000 non-flow-through units at a price of \$0.13 per non-flow-through unit and 6,043,942 flow-through units at a price of \$0.17 per flow-through unit for gross proceeds of \$1,638,470. Each non-flow-through unit is comprised of one common share and one share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of 36 months at a price of \$0.18. Each flow-through unit is comprised of one common share and one half of a share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of 24 months at a price of \$0.20. There was no value assigned to the warrant component of the units. In connection with the private placement, the Company paid finders' fees consisting of \$91,566 in cash and 379,059 agent's warrants, exercisable at \$0.18 for 36 months, and 225,918 agents warrants, exercisable at \$0.20 for 24 months. The 379,059 agent's warrants, exercisable at \$0.18 for 36 months were valued at \$31,515 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 0.28%, an expected life of 3 year, annualized volatility of 132% and a dividend rate of 0%). The 225,918 agent's warrants, exercisable at \$0.20 for 24 months were valued at \$12,546 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 0.22%, an expected life of 2 year, annualized volatility of 112% and a dividend rate of 0%). The Company also incurred costs of finders warrants of \$77,220 in connection with the private placement. There was \$241,758 premium received by the Company on issuance of the flow-through shares.

**10. SHARE CAPITAL (cont'd...)**

**Basic and diluted loss per share**

The calculation of basic and diluted income (loss) per share for the period ended October 31, 2021 was based on the income (loss) attributable to common shareholders of \$16,420 (2020 - \$115,287 loss) and a weighted average number of common shares outstanding of 72,879,050 (2020 – 51,578,107).

At October 31, 2021, 5,485,000 stock options (2020 – 2,275,000) and 12,470,900 warrants (2020 – 13,484,452) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

**11. SHARE-BASED PAYMENTS**

**Stock options**

The Company has adopted an incentive rolling stock option plan (the “Plan”) under which it is authorized to grant options to directors, officers, employees and consultants enabling them to acquire up to a maximum of 20% of the total number of issued and outstanding shares of the Company. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors. The exercise price of options granted under the Plan shall not be less than the closing price of the Company’s shares on the trading day immediately preceding the date of grant, less the discount permitted under the Exchange’s policies.

Stock option transactions are summarized as follows:

|                                                                  | Number<br>of Options | Weighted<br>Average<br>Exercise Price |
|------------------------------------------------------------------|----------------------|---------------------------------------|
| Balance & Exercisable, July 31, 2020                             | 2,275,000            | \$ 0.10                               |
| Granted                                                          | 3,310,000            | 0.12                                  |
| Cancelled                                                        | (100,000)            | 0.10                                  |
| Balance & Exercisable, July 31, 2021 and October 31, 2021        | 5,485,000            | \$ 0.12                               |
| Weighted average fair value of options granted during the period | \$ nil               | (2020 - \$nil)                        |

The options outstanding at October 31, 2021 have exercise prices in the range of \$0.08 to \$0.25 and a weighted average remaining contractual life of 3.37 years.

As at October 31, 2021 the following stock options were outstanding:

|                                                                  | Number<br>of Options | Weighted<br>Average<br>Exercise Price |
|------------------------------------------------------------------|----------------------|---------------------------------------|
| Balance & Exercisable, July 31, 2020                             | 2,275,000            | \$ 0.10                               |
| Granted                                                          | 3,310,000            | 0.12                                  |
| Cancelled                                                        | (100,000)            | 0.10                                  |
| Balance & Exercisable, July 31, 2021 and October 31, 2021        | 5,485,000            | \$ 0.12                               |
| Weighted average fair value of options granted during the period | \$ nil               | (2020 - \$nil)                        |

## 11. SHARE-BASED PAYMENTS (cont'd...)

### Warrants

The Company uses the residual value method with respect to the measurement of share purchase warrants issued with private placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Agents' warrants are measured at fair value on the date of the grant as determined using the Black-Scholes option pricing model.

Warrant transactions are summarized as follows:

|                                             | Number<br>of Warrants | Weighted<br>Average<br>Exercise<br>Price |
|---------------------------------------------|-----------------------|------------------------------------------|
| Balance, July 31, 2020                      | 13,484,452            | \$ 0.11                                  |
| Warrants granted                            | 7,721,971             | 0.19                                     |
| Agents' warrants granted                    | 604,977               | 0.19                                     |
| Expired                                     | (153,500)             | 0.05                                     |
| Exercised                                   | (9,187,000)           | 0.05                                     |
| Balance, July 31, 2021 and October 31, 2021 | 12,470,900            | \$ 0.21                                  |

The warrants outstanding at October 31, 2021 have exercise prices in the range of \$0.18 to \$0.25 and a weighted average remaining contractual life of 1.39 year.

As at October 31, 2021, the following warrants were outstanding:

| Number<br>of Warrants | Exercise Price | Expiry Date |
|-----------------------|----------------|-------------|
| 2,363,000             | \$0.25         | 06-Jun-22   |
| 1,780,952             | \$0.25         | 23-Jun-22   |
| 5,079,058             | \$0.18         | 29-Dec-23   |
| 3,247,890             | \$0.20         | 29-Dec-22   |
| 12,470,900            |                |             |

## **12. SUPPLEMENTAL CASH FLOW INFORMATION**

Significant non-cash investing and financing transactions during the three month ended October 31, 2021 included:

- a) The Company issued 300,000 common shares pursuant to a mineral property agreement with a total value of \$24,000.
- b) Included in trade and other payables are \$19,198 related to exploration and evaluation assets.

Significant non-cash investing and financing transactions during the three months ended October 31, 2020 included:

- c) The Company issued 300,000 common shares pursuant to a mineral property agreement with a total value of \$58,500.
- d) Included in trade and other payables are \$43,259 related to exploration and evaluation assets.

## **13. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to ensure adequate working capital is available to fund both the business development plans and the working capital requirements of each annual operating cycle. In the management of capital, the Company includes shareholders' equity (deficiency) in the definition of capital.

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 its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management from the prior year. The Company is not subject to externally-imposed capital requirements.

#### **14. FINANCIAL INSTRUMENTS AND RISK**

The Company has classified cash as FVTPL, and receivables, trade and other payables and amounts due to related parties at amortized cost.

As of October 31, 2021, the carrying amounts of receivables, trade and other payables, and amounts due to related parties carried at amortized cost are considered a reasonable approximation of their fair values due to the relatively short period to maturity of these financial instruments.

##### **Financial risk management**

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### *Credit risk*

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with its cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The Company's receivables consist of rental recovery due from a sublease office tenant and sales tax recoverable due from the Canadian government. Management does not expect these counterparties to fail to meet their obligations.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall 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 October 31, 2021, the Company had a cash balance of \$628,362 to settle trade and other payables of \$83,198 and due to related parties of \$5,000. The Company's trade and other payables have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

##### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

## 15. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows. There have been no changes in these levels and no changes in classifications during the three months ended October 31, 2021.

| Assets | As at October 31, 2021 |         |         |            |
|--------|------------------------|---------|---------|------------|
|        | Level 1                | Level 2 | Level 3 | Total      |
| Cash   | \$ 628,362             | \$ -    | \$ -    | \$ 628,362 |
| Total  | \$ 628,362             | \$ -    | \$ -    | \$ 628,362 |

| Assets | As at July 31, 2020 |         |         |              |
|--------|---------------------|---------|---------|--------------|
|        | Level 1             | Level 2 | Level 3 | Total        |
| Cash   | \$ 1,450,445        | \$ -    | \$ -    | \$ 1,450,445 |
| Total  | \$ 1,450,445        | \$ -    | \$ -    | \$ 1,450,445 |