QUADRO RESOURCES LTD.

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Quadro Resources Ltd.

We have audited the accompanying financial statements of Quadro Resources Ltd., which comprise the statements of financial position as at July 31, 2018 and 2017 and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Quadro Resources Ltd. as at July 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

November 28, 2018

QUADRO RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT JULY 31

	Note		2018		2017
ASSETS					
Current assets					
Cash		$	522,702	$	116,570
Receivables	4		70,838		3,879
Prepaid expenses			13,000		-
			606,540		120,449
Non-current assets					
Exploration and evaluation assets	5		1,230,097		-
Total assets		$	1,836,637	$	120,449
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current liabilities					
Trade and other payables	6	$	70,775	$	76,775
Amounts due to related parties	7		9,544		265,221
Total liabilities			80,319		341,996
Shareholders' equity (deficiency)					
Share capital	8		11,886,311		9,607,269
Share subscription proceeds			-		115,000
Share-based payments reserve	9		789,228		617,579
Deficit			(10,919,221)		(10,561,395)
Total shareholders' equity (deficiency)			1,756,318		(221,547)
Total liabilities and shareholders' equity (deficiency)		$	1,836,637	$	120,449

Nature of business and going concern (Note 1)
Commitments (Note 5)
Event after the reporting period (Note 15)

The financial statements were authorized for issue by the Board of Directors on November 28, 2018 and were signed on its behalf by:

____________________ Director ____________________ Director

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

QUADRO RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED JULY 31

	Note		2018		2017
EXPENSES					
Accounting and audit		$	22,894	$	15,936
Administrative			4,788		834
Legal fees			11,400		26,000
Management fees	7		90,000		6,000
Office and miscellaneous			12,212		4,333
Rent			15,737		7,091
Share-based payments	9		142,557		-
Shareholder information			3,339		-
Transfer agent and regulatory fees			25,747		13,509
Travel and promotion			27,590		10,671
			(356,264)		(84,374)
OTHER ITEMS					
Flow-through filing penalty			(1,562)		-
Loss and comprehensive loss for the year		$	(357,826)	$	(84,374)
Basic and diluted loss per common share	8	$	(0.02)	$	(0.02)
Weighted average number of common shares outstanding			22,652,294		3,553,094

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

QUADRO RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

	Note	Number of shares	Share capital	Share-based payments reserve	Share subscription proceeds	Deficit	Total shareholders' equity (deficiency)
Balance, July 31, 2016		3,553,094	$ 9,607,269	$ 617,579	$ -	$ (10,477,021)	$ (252,173)
Share subscription proceeds		-	-	-	115,000	-	115,000
Comprehensive loss for the year		-	-	-	-	(84,374)	(84,374)
Balance, July 31, 2017		3,553,094	9,607,269	617,579	115,000	(10,561,395)	(221,547)
Flow-through private placement		6,448,500	644,850	-	(115,000)	-	529,850
Non-flow-through private placement		7,310,000	731,000	-	-	-	731,000
Acquisition of exploration and evaluation assets	8	8,050,000	805,000	-	-	-	805,000
Shares issued for debt settlement	8	2,065,500	206,550	-	-	-	206,550
Share issuance costs	8	-	(108,358)	29,092	-	-	(79,266)
Share-based payments	9	-	-	142,557	-	-	142,557
Comprehensive loss for the year		-	-	-	-	(357,826)	(357,826)
Balance, July 31, 2018		27,427,094	$ 11,886,311	$ 789,228	$ -	$ (10,919,221)	$ 1,756,318

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

QUADRO RESOURCES LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		$ (357,826)	$ (84,374)
Item not affecting cash:			
Share-based payments		142,557	-
Changes in non-cash working capital items:			
Receivables		(66,959)	(2,172)
Prepaid expenses		(13,000)	-
Trade and other payables		(44,785)	46,477
Net cash used in operating activities		(340,013)	(40,069)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation assets		(386,312)	-
Net cash used in investing activities		(386,312)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,260,850	-
Proceeds from share subscriptions		-	115,000
Share issuance costs		(79,266)	-
Advances (repayments) from related party		(49,127)	38,127
Net cash provided by financing activities		1,132,457	153,127
Change in cash during the year		406,132	113,058
Cash, beginning of the year		116,570	3,512
Cash, end of the year		$ 522,702	$ 116,570

Supplemental disclosures with respect to cash flows (Note 13)

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 1500, 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H8. 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".

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 $10,919,221 as at July 31, 2018 and a working capital of $526,221. The continuing operations of the Company are dependent upon its ability to raise adequate financing, identify economically recoverable reserves and to commence profitable operations in the future. Management believes that it has sufficient working capital to fund its operations for the next twelve months.

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.

2. BASIS OF PREPARATION

These 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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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.

2. BASIS OF PREPARATION (cont'd…)

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 uncertainly 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.

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) 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.

ii) 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.

iii) The classification of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these financial statements, unless otherwise indicated.

Exploration and evaluation assets

The Company's accounting policy for mineral property costs is dependent on the stage of the properties to which the costs relate. All capitalized costs are attributed to the individual mineral properties to which they relate, known as cash-generating units ("CGU").

Acquisition costs

All costs incurred to acquire or maintain mineral property rights are capitalized to the relevant CGU. These costs are not depleted until the CGU reaches production.

Exploration and evaluation costs

Costs related to the exploration and evaluation of properties for which no technically or economically feasible reserves have been established are capitalized to the relevant CGU in the period incurred. The Company records expenditures on exploration and evaluation activities at cost. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property. The Company determines that technical and economic feasibility exists when:

- a feasibility study, prepared in accordance with professional geological standards, defines a proven mineral reserve body;
- the Company intends to recover the mineral reserves through mining activity or sale of mineral rights; and
- the Company has sufficient financing available to develop and operate a mine or to market the mineral rights.

Development costs

When technical and economic feasibility exists for a certain CGU, all costs incurred to further prepare and develop a mine, or to ready the reserve rights for sale, are capitalized. Such costs may include interest on debt financing required to construct a mine or general and overhead expenses that are directly attributable to the CGU. These capitalized costs are not subject to depletion until such time as the mine is ready for production or the mineral rights are saleable, at which point they are depleted on a unit-of-production basis over the estimated recoverable reserves of each CGU. Any government grants received reduce associated costs capitalized under development costs.

Post-development costs

After a mine is ready for production or mineral reserves are saleable, all costs, including interest on related debt and general and administrative costs are expensed in the period incurred unless they relate to an extension of mineral reserves or a significant improvement in mining operations. In these instances, the expenditures related to the betterment are capitalized and are depleted on a unit-of-production basis over the remaining recoverable reserves.

Impairment of exploration and evaluation assets

Management assesses the exploration and evaluation assets for impairment at least annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of exploration and evaluation assets (cont'd…)

reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

i) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

ii) Decommissioning and restoration provision

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of its exploration and evaluation assets in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at July 31, 2018, the Company has no known restoration, rehabilitation or environmental liabilities related to its exploration and evaluation assets.

Earnings / loss per share

Basic earnings/loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. The diluted loss per share reflects all dilutive potential common share equivalents, which comprise outstanding stock options and share purchase warrants in the weighted average number of common shares outstanding during the period, if dilutive. There were no stock options and share purchase warrants outstanding for the years ended July 31, 2018 and 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss," "loans and receivables," "available-for-sale," "held-to-maturity," or "financial liabilities measured at amortized cost" as follows:

(i) Financial assets

Financial assets comprise cash, and receivables. The Company classifies its cash as fair value through profit or loss. Receivables are classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Financial liabilities

Financial liabilities comprise trade and other payables and accounts payable to related parties. The Company classifies its financial liabilities as other financial liabilities which are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that the shares are issued.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") on the Company's statement of financial position. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

Share-based payments

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued and amortized over the vesting periods using a graded approach. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award is considered a separate grant with a different vesting date and fair value and is accounted for on that basis.

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.

The offset to the recorded cost is to share-based payments reserve. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Current and deferred income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Recent Accounting Pronouncements

Certain new accounting standards, amendments to standards and interpretations have been issued, effective for annual years beginning on or after January 1, 2018. These standards have been assessed to not have a significant impact on the Company's existing accounting policies or financial statement presentation:

<u>IFRS 15 – Revenue from Contracts with Customers</u>

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") is a new standard on revenue that will supersede the following standards: IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. This standard is effective for years beginning on or after January 1, 2018.

<u>IFRS 9 – Financial Instruments</u>

IFRS 9 – Financial Instruments ("IFRS 9") is a new standard on financial instruments that will replace IAS 39 – Financial Instruments: Recognition and Measurement. The standard addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. This standard is effective for years beginning on or after January 1, 2018.

<u>IFRS 16 – Leases</u>

IFRS 16 – Leases ("IFRS 16") is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract: the lessee and the lessor. IFRS 16 eliminates the classification of leases as either operating or finance leases, as is currently required by IAS 17 – Leases, and instead introduces a single lessee accounting model. This standard is effective for years beginning on or after January 1, 2019.

4. RECEIVABLES

	2018	2017
Sales tax recoverable	$ 69,263	$ 3,879
Rent recoverable	1,575	-
	$ 70,838	$ 3,879

5. EXPLORATION AND EVALUATION ASSETS

	Staghorn Property	Conche Property	Other	Total
Acquisition costs				
Option payments	$ 817,500	$ -	$ -	$ 817,500
Claim staking costs	-	2,665	21,177	23,842
	817,500	2,665	21,177	841,342
Deferred exploration expenditures				
Assaying	35,363	-	-	35,363
Drilling	142,782	-	-	142,782
Equipment rental	10,300	-	-	10,300
Consulting	177,697	-	-	177,697
Miscellaneous	13,360	-	-	13,360
Survey	7,422	-	-	7,422
Travel	46,598	-	-	46,598
Government grant	(44,767)	-	-	(44,767)
	388,755	-	-	388,755
Net costs for the year	1,206,255	2,665	21,177	1,230,097
Balance, beginning of the year	-	-	-	-
Balance, July 31, 2018	$ 1,206,255	$ 2,665	$ 21,177	$ 1,230,097

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.

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Staghorn Property (cont'd…)

To earn a 100% interest in the Rose Gold property, the Company is required to make cash payments of $42,500 and issue 450,000 common shares over a three year period as follows:

- Pay $2,500 (paid) and issue 50,000 common shares (issued with a fair value of $5,000) upon signing;
- Pay $10,000 (paid) and issue 100,000 common shares by October 17, 2018 (issued subsequently);
- Pay $15,000 and issue 150,000 common shares by October 17, 2019; and
- Pay $15,000 and issue 150,000 common shares by October 17, 2020.

The Rose Gold property is subject to a 2% net smelter returns royalty ("NSR") in favour of the original vendor. The Company has the right to buy back a 1% NSR for $1,000,000.

The Staghorn property is subject to 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.

Conche Property

During the year ended July 31, 2018, the Company acquired a one-third interest in the Conche property on the Great Northern Peninsula, Newfoundland and Labrador by staking. On July 3, 2018, the Company entered into an option agreement with Metals Creek and Benton, whereby the Company has an option to acquire a one-third interest held by each of Metals Creek and Benton in the Conche property.

To exercise the option, the Company is required to issue one million shares to each of Metals Creek and Benton over an 18-month period as follows:

- Issue 400,000 common shares upon regulatory approval (subsequently issued on October 2, 2018 at a fair value of $18,000) (Note 15);
- Issue 600,000 common shares by March 27, 2019; and
- Issue 1,000,000 common shares by March 27, 2020.

Upon exercise of the option, Metals Creek and Benton will each retain a 1% NSR. The Company has a right to purchase a 0.5% NSR for $500,000 to each of Metals Creek and Benton.

Other properties

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.

6. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	$ 43,025	$ 33,436
Accrued expenses	27,750	43,339
	$ 70,775	$ 76,775

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.

7. RELATED PARTY TRANSACTIONS

Included in amounts due to related parties are $5,294 (July 31, 2017 - $217,844) related to services rendered to the Company by companies controlled by its directors and $4,250 (July 31, 2017 - $47,377) 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 prepaid expenses are $8,000 (July 31, 2017 - $nil) of management fees advanced to the President and Chief Financial Officer of 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 years ended July 31 is as follows:

	2018	2017
Management fees	$ 90,000	$ 6,000
Share-based payments	122,453	-

The Company entered into the following related party transactions during the year ended July 31, 2018:

a) Paid or accrued management fees of $72,000 (2017 - $6,000) to a company controlled by the President of the Company for management services provided.

b) Paid or accrued management fees of $18,000 (2017 - $nil) to the Chief Financial Officer of the Company for management services provided.

8. SHARE CAPITAL

Authorized share capital

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

Issued share capital

At July 31, 2018, the Company had 27,427,094 common shares issued and outstanding (July 31, 2017 - 3,553,094).

Share consolidation

On July 4, 2017, the Company completed a consolidation of the Company's issued and outstanding common shares on a basis of one (1) post-consolidation common share for every two (2) pre-consolidation common shares. All information relating to basic and diluted loss per share and issued and outstanding common shares in these financial statements have been adjusted and restated retrospectively to reflect the share consolidation.

Share issuance

During the year ended July 31, 2018, the Company:

i) Completed a private placement of 7,310,000 non-flow-through units at a price of $0.10 per non-flow-through unit and 6,448,500 flow-through units at a price of $0.10 per flow-through unit for gross proceeds of $1,375,850. 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 18 months at a price of $0.15. Each flow-through unit is comprised of one common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional common share for a period of 18 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 $59,391 in cash and 591,910 warrants which are exercisable into one common share of the Company at $0.15 for a period of 18 months. The agent's warrants were valued at $29,092 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.56%, an expected life of 1.5 year, annualized volatility of 114% and a dividend rate of 0%). The Company also incurred filing expenses and other share issuance costs of $19,875 in connection with the private placement. There was no premium received by the Company on issuance of the flow-through shares.

ii) Issued 8,000,000 common shares pursuant to an Option Agreement (Note 5) with a fair value of $800,000.

iii) Issued 50,000 common shares pursuant to the Rose Gold property agreement (Note 5) with a fair value of $5,000.

iv) Issued 2,065,550 common shares to settle debt of $206,550 due to the President of the Company.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended July 31, 2018 was based on the loss attributable to common shareholders of $357,826 (2017 - $84,374) and a weighted average number of common shares outstanding of 22,652,294 (2017 - 3,553,094).

9. 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 of Options		Weighted Average Exercise Price
Balance, July 31, 2016 and 2017		-	$	-
Granted		1,950,000		0.10
Balance, July 31, 2018		1,950,000	$	0.10
Exercisable at July 31, 2018		975,000	$	0.10
Weighted average fair value of options granted during the year	$	0.097		(2017 - $nil)

The options outstanding at July 31, 2018 have an exercise price of $0.10 and a weighted average remaining contractual life of 4.47 years.

The total share-based payments calculated for stock options granted during the year ended July 31, 2018 was $189,327 (2017 - $nil) using the Black-Scholes option pricing model. For the year ended July 31, 2018, the Company recognized share based payment expense of $142,557 (2017 - $nil) for the portion of stock options that vested during the year.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2018	2017
Risk-free interest rate	2.03%	-
Expected life of options	5 Years	-
Annualized volatility	155.95%	-
Dividend rate	Nil	-

9. 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 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 a Black-Scholes option pricing model.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, July 31, 2016 and 2017	-	$	-
Warrants issued	10,534,250		0.17
Agents' warrants issued	591,910		0.15
Balance, July 31, 2018	11,126,160	$	0.16
Exercisable at July 31, 2018	11,126,160	$	0.16

The warrants outstanding at July 31, 2018 have an exercise price in the range of $0.15 to $0.20 and a weighted average remaining contractual life of 0.70 year.

As at July 31, 2018 the following warrants were outstanding:

	Number of Warrants	Exercise Price	Expiry Date
Warrants			
	7,310,000	$ 0.15	April 12, 2019
	3,224,250	0.20	April 12, 2019
	10,534,250		
Agents' warrants			
	591,910	$ 0.15	April 12, 2019
	11,126,160		

10. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2018	2017
Loss before income taxes	$ (357,826)	$ (84,374)
Corporate tax rate	27.0%	26.0%
Expected income tax recovery at statutory rates	$ (95,000)	$ (22,000)
Change in statutory, foreign tax, foreign exchange rates and other	(47,000)	(62,000)
Permanent differences	39,000	-
Impact of flow through shares	79,000	-
Share issuance costs	(21,000)	-
Change in unrecognized deductible temporary differences	45,000	84,000
Total income tax expense (recovery)	$ -	$ -

Details of the Company's unrecognized deferred income tax assets that have not been included on the statement of financial position are as follows:

	2018	2017
Allowable capital losses	$ 165,000	$ 159,000
Equipment	3,000	3,000
Share issuance costs	17,000	-
Exploration and evaluation assets	217,000	289,000
Non-capital losses available for future periods	863,000	769,000
Net unrecognized deferred income tax assets	$ 1,265,000	$ 1,220,000

The significant components of the Company's temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	2018	Expiry dates	2017	Expiry dates
Allowable capital losses	$ 612,000	Not applicable	$ 612,000	Not applicable
Equipment	$ 12,000	Not applicable	$ 12,000	Not applicable
Share issuance costs	$ 63,000	2039 to 2042	$ -	Not applicable
Exploration and evaluation assets	$ 805,000	Not applicable	$ 1,109,000	Not applicable
Non-capital losses available for future periods	$ 3,196,000	2026 to 2038	$ 2,958,000	2026 to 2037

Tax attributes are subject to review and potential adjustment by tax authorities.

11. FINANCIAL INSTRUMENTS AND RISK

The Company classified its financial instruments as follows: cash is classified as fair value through profit or loss, receivables as loans and receivables, trade and other payables, and amounts due to related parties are classified as other financial liabilities and are measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these financial statements as follows: receivables (Note 5); trade and other payables (Note 6); and amounts due to related parties (Note 7).

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 in 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 sublease office tenants 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 July 31, 2018, the Company had a cash balance of $522,702 to settle trade and other payables of $70,775 and due to related parties of $9,544. 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.

12. 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 year ended July 31, 2018.

	Level 1	Level 2	Level 3	Total
July 31, 2018				
Cash	$ 522,702	$ -	$ -	$ 522,702
July 31, 2017				
Cash	$ 116,570	$ -	$ -	$ 116,570

13. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash investing and financing transactions during the year ended July 31, 2018 included:

a) The Company issued 8,050,000 common shares pursuant to mineral property agreements with a total value of $805,000.
b) The Company issued 2,065,550 common shares to settle debt of $206,550 due to the President of the Company.
c) The Company issued 591,910 finders' warrants with a fair value of $29,092 as financing fees for a private placement.
d) Included in trade and other payables are $38,785 related to exploration and evaluation assets.

There were no significant non-cash transactions during the year ended July 31, 2017.

14. 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 during the year ended July 31, 2018. The Company is not subject to externally-imposed capital requirements.

15. EVENT AFTER THE REPORTING PERIOD

On October 2, 2018, the Company issued 400,000 common shares pursuant to the option agreement on the Conche property (Note 5).