# QUADRO RESOURCES LTD.

(the "Company" or "Quadro")

FORM 51-102F1

# MANAGEMENT DISCUSSION & ANALYSIS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018

The following management discussion and analysis ("MD&A") has been prepared by management as of March 28, 2018 and should be read in conjunction with the unaudited interim financial statements and related notes of the Company for the six month period ended January 31, 2018, and the audited financial statements of the Company and related notes for the year ended July 31, 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are stated in Canadian dollars unless otherwise indicated.

## FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions as at the date of this MD&A. The words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets", "may", "will" and similar expressions identify forward-looking statements. Information concerning the interpretation of drill results may also be considered a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Readers are cautioned not to place undue reliance on these statements as they are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, such forward-looking statements. The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

## OVERVIEW

Quadro Resources Ltd. was incorporated under the laws of British Columbia and currently trades on the TSX Venture Exchange (the "TSX-V"). The Company's principal business activity is the exploration and development of mineral properties.

On June 6, 2017, the Company entered into an agreement (the "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, as well as all their rights to their newly-optioned Rose Gold property which comprised of certain mineral claims contiguous to the Staghorn property.

To exercise its option under the Option Agreement, the Company is required to: complete a two to one (2:1) share consolidation (completed); settle certain debts of the Company by way of share issuance ($206,550 of debt settled); issue 4,000,000 post-consolidation common shares to each of Metals Creek and Benton (issued) and complete a financing of no less than a $1,000,000 (completed).

Under the Original Letter Agreement and in accordance with the subsequent Assignment and Amendment Agreement between Metals Creek, Benton and the vendor of the Rose Gold property, the Company is required to make cash payments of $45,000 and issue 450,000 common shares over a three year period as follows:

- Pay $5,000 (subsequently paid) and issue 50,000 common shares (issued) upon signing;
- Pay $10,000 and issue 100,000 common shares by April 9, 2018;
- Pay $15,000 and issue 150,000 common shares by April 9, 2019; and
- Pay $15,000 and issue 150,000 common shares by April 9, 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.

## MINERAL EXPLORATION ACTIVITIES

### Staghorn Project, Newfoundland

The Staghorn Gold Project consists of 405 claim units (101 sq km) located in southwestern Newfoundland, covering a thirty kilometer strike length of the gold rich Cape Ray Fault. This structure hosts a number of significant gold deposits including Marathon Gold's Valentine Lake deposit (indicated and measured resources of 1,388,200 oz Au and inferred resources of 766,500 oz Au), located 30 kilometers to the northeast.

The Staghorn project known zones include the Woods lake zone, drilling of 6.18 grams per ton (gpt) gold (Au) over 5.11 meters (m),(see MEK news release 02 Dec 2009), Ryan's Hammer, 27.80gpt Au in grabs, ( see MEK/BEX news release 05 September 2015), Glimmer, 196.7gpt Au in grabs,( see MEK news release 11 May 2010), Rich House,visible gold -189gpt Au in grabs ( see MEK/BEX news release 01 September 2015) and the new Rose discovery of up to 18.86 gpt Au in the Rose Zone (see MEK/BEX news release 12 April 2017).

In November, 2017 the Company initiated a diamond drill program on the property. Initial drill holes will target the Woods Lake Zone where previous work has identified a plus 30 meter wide zone of strongly altered and mineralized felsic intrusive rocks, highlighted by previous drill intercepts of 2.14 g/t Au over 16.11 meters, including 6.18 g/t over 5.11 meters (See Metals Creek Resources news release dated 3 Dec 2009) A second significant area of mineralization includes theRyan's Hammer (mineralized float up to 27.8 g/t Au) and Rich House zone (grab samples up to 189 g/t Au) (see the Company's August 21, 2017 news release). Grab samples and float samples are selective in nature and are not representative.

The initial nine-hole drill program totaling 1466 meters targeted the Woods Lake Zone area located in the centre of the property. The drilling results confirmed that Wood Lake Zone consists of strongly altered felsic porphyry with variable quartz veining and pyrite/arsenopyrite mineralization. The assay results confirm that the altered porphyry is highly anomalous in gold with values ranging between 0.325 g/t Au over 32.5 m to 0.942 g/t Au over 4.4 m from the more intense alteration and mineralization. This round of drilling did not extend the higher grade sections intersected in previous drilling. Detail of the drilling results can be found in the Company's news releases on January 31, 2018.

A second phase of drilling is expected to start this spring and will target the Cape Ray Fault Zone to the northeast of the Woods Lake Zone closer to the Marathon's Valentine Lake deposit. This section of the property hosts a number of high grade showings and mineralized float material including Ryan's Hammer (mineralized float up to 27.8 g/t Au) and the Rich House Zone (grab samples up to 189.0 g/t Au) (see Quadro news release August21, 2017). A field program of geochemistry and rock sampling is planned for February to better define these targets prior to drilling.

### Qualified Person

The technical contents in this document have been reviewed and approved by Wayne Reid, P. Geo., VP Exploration for Quadro, a qualified person as defined by National Instrument (NI) 43-101.

## DISCUSSION OF OPERATIONS

Quadro is an exploration stage company and has no operating revenue. The Company completed the acquisition of the Staghorn property in October and staked additional 122 claim units in the second quarter. Expenditures related to exploration and evaluation assets are capitalized. A breakdown is provided in Note 4 to the financial statements.

Three month period ended January 31, 2018

During the three months ended January 31, 2018, the Company reported a net loss of $113,831 compared to a net loss of $8,303 incurred in the three months ended January 31, 2017. The general operating expenses excluding share-based payment expenses for the three months ended January 31, 2018 were $58,172 (2017 - $8,303) and have increased from the comparative period due to increased corporate activities related to the exploration of the Staghorn property.

Six month period ended January 31, 2018

During the six months ended January 31, 2018, the Company incurred a net loss of $172,811 compared to a net loss of $16,204 for the six months ended January 31, 2017. The general operating expenses excluding share-based payment expenses for the six months ended January 31, 2018 were $117,152 (2017 - $16,204). The significant increase in general operating expenses is a result of increased corporate and financing activities since the acquisition of the Staghorn property. The variance was mainly attributable to:

- Legal fees of $12,996 (2017 - $nil) relate mainly to the acquisition of the Staghorn property.
- Management fees of $42,000 (2017 - $nil) relate to fees to the Company's President and Chief Financial Officer.
- Transfer agent and regulatory fees of $15,117 (2017 - $7,933) have increased due to the acquisition transaction and the reactivation from the NEX board to the TSX-V.
- Travel and promotion of $22,260 (2017 - $1,980) related mainly to trips made for investor conferences and property site visits.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited financial information for the Company's eight most recent quarters ending with the last quarter for the three months ended on January 31, 2018.

| | For the Three Months Ending | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fiscal 2018 | | Fiscal 2017 | | | | Fiscal 2016 | |
| | Jan. 31, 2018 | Oct. 31, 2017 | Jul. 31, 2017 | Apr. 30, 2017 | Jan. 31, 2017 | Oct. 31, 2016 | Jul. 31, 2016 | Apr. 30, 2016 |
| | ($) | ($) | ($) | ($) | ($) | ($) | ($) | ($) |
| | | | | | | | | |
| Total revenues | - | - | - | - | - | - | - | - |
| Income (loss) from continuing operations | (113,831) | (58,980) | (62,258) | (5,912) | (8,303) | (7,901) | (12,745) | (5,328) |
| Net income (loss) | (113,831) | (58,980) | (62,258) | (5,912) | (8,303) | (7,901) | (12,745) | (5,328) |
| | | | | | | | | |
| Income (loss) from continuing operations per share - basic and diluted | (0.00) | (0.01) | (0.02) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Net income (loss) per share - basic and diluted | (0.00) | (0.01) | (0.02) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |

## LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2018, the Company had a cash balance of $765,692 compared to $116,570 as at July 31, 2017. The Company had working capital of $770,494 as at January 31, 2018 compared to working capital deficiency of $221,547 as at July 31, 2017.

During the six months ended January 31, 2018, the cash balance increased by $649,122 (2017 - $946). The Company spent $213,753 (2017 - $14,054) in operating activities and $277,384 (2017 - $nil) on its exploration assets. Cash provided by financing activities includes $1,198,180 of net proceeds (2017 - $nil) from a private placement. The company repaid $57,921 (2017 - advance of $15,000) in advances from the President of the Company.

Going Concern

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. However, management believes that it has sufficient working capital to fund its operations for the next twelve months. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The Company's financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

Included in amounts due to related parties are $nil (July 31, 2017 - $217,844) related to services rendered to the Company by companies controlled by its directors and $750 (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.

During the year ended July 31, 2017, the Company received $31,528 in advances from the President of the Company. The advance is unsecured, non-interest bearing, and has no specific terms of repayment. During the six months ended January 31, 2018, the Company repaid $30,778 of the advances.

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 six month periods ended January 31 is as follows:

| | 2018 | 2017 |
|---|---|---|
| Management fees | $ 42,000 | $ - |
| Share-based payments | 44,955 | - |

The Company entered into the following related party transactions during the six months ended January 31, 2018:

a) Paid or accrued management fees of $36,000 (2017 - $nil) to a company controlled by the President of the Company for management services provided.

b) Paid or accrued management fees of $6,000 (2017 - $nil) to the Chief Financial Officer of the Company for management services provided.

## SUMMARY OF OUTSTANDING SHARE DATA

The Company's issued and outstanding share capital as at the date of this report is as follows:

(1) Authorized: Unlimited common shares without par value.
(2) As at March 28, 2018, the Company has 27,427,094 common shares, 1,950,000 stock options and 11,126,160 warrants issued and outstanding.

## CRITICAL ACCOUNTING ESTIMATES

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.

## FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash is classified as fair value through profit or loss, 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: trade and other payables (Note 5); and amounts due to related parties (Note 6).

The carrying amounts of cash, 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. 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 January 31, 2018, the Company had a cash balance of $765,692 to settle trade and other payables of $41,508. 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.

## RISKS AND UNCERTAINTIES

Exploration of mineral properties involves a high degree of risk and the successful achievement of a profitable operation cannot be assured. Costs of finding and evaluating an ore body are substantial, and may take several years to complete. The

Company must overcome many risks associated with an early stage exploration property. Specific items include, but are not limited to, identification and quantification of a commercially viable ore body, confirmation of the Company's interest in the underlying claims and leases, completion of a feasibility study, funding of all costs related to a commercial operating venture, completion of the permitting process, detailed engineering and the procurement of a processing plant, and constructing a facility to support the property. Construction and operational risks including, but not limited to, equipment and plant performance, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating property.

External financing, primarily through the issuance of common shares will be required to fund its activities. There can be no assurance that it will be able to do so in the future.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

### Future changes in accounting standards

There were no new standards effective August 1, 2017 that had an impact on the Company's financial statements. A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2018, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") has been issued by IASB to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 *Leases* ("IFRS 16") has been issued by IASB to replace IAS 17 *Leases*. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

The Company is currently assessing the impact that these new standards will have on its financial statements and whether to early adopt any of the new standards.

## DISCLOSURE CONTROLS

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

## ADDITIONAL INFORMATION

Additional information is available concerning the Company and its operations on SEDAR at www.sedar.com and on the Company web site at www.quadroresources.ca .

## APPROVAL

The Board of Directors of Quadro Resources Ltd. has approved the contents of this MD&A on March 28, 2018. A copy of this MD&A together with the Company's unaudited interim financial report for the six month period ended January 31, 2018 and the audited financial statements for the year ended July 31, 2017 will be provided to anyone who requests it.