QUADRO RESOURCES LTD.

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2020 AND 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Quadro Resources Ltd.

Opinion

We have audited the accompanying financial statements of Quadro Resources Ltd. (the "Company"), which comprise the statements of financial position as at July 31, 2020 and 2019, and the statements of comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of $670,753 during the year ended July 31, 2020 and, as of that date, the Company's total deficit was $11,904,131. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

November 19, 2020

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

	Note		2020		2019
ASSETS					
Current assets					
Cash		$	812,187	$	161,105
Receivables	4, 8		71,753		38,279
Prepaid expenses			98,551		15,285
			982,491		214,669
Non-current assets					
Exploration and evaluation assets	6		1,699,559		1,394,945
Equipment	5		1,637		-
			1,701,196		1,394,945
Total assets		$	2,683,687	$	1,609,614
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	7	$	105,151	$	94,185
Amounts due to related parties	8		6,313		5,000
Total liabilities			111,464		99,185
Shareholders' equity					
Share capital	9		13,608,755		11,907,811
Share-based payments reserve	10		867,599		835,996
Deficit			(11,904,131)		(11,233,378)
Total shareholders' equity			2,572,223		1,510,429
Total liabilities and shareholders' equity		$	2,683,687	$	1,609,614

Nature of business and going concern (Note 1)
Commitments (Note 6)
Events after the reporting period (Note 16)

The financial statements were authorized for issue by the Board of Directors on November 19, 2020 and were signed on its behalf by:

T. Barry Coughlan Director *Brian Corrall* Director

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

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

	Note		2020		2019
EXPENSES					
Accounting and audit		$	34,989	$	25,114
Consulting fees			372,423		4,997
Depreciation			546		-
Legal fees			24,670		10,000
Management fees	8		107,500		96,000
Office and miscellaneous			30,005		5,004
Rent	8		10,500		10,500
Share-based payments	10		41,410		46,768
Transfer agent and regulatory fees			30,226		10,158
Travel and meals			18,484		11,252
			(670,753)		(219,793)
OTHER ITEMS					
Flow-through filing penalty			-		(47,178)
Write-off of exploration and evaluation assets	6		-		(47,186)
			-		(94,364)
Loss and comprehensive loss for the year		$	(670,753)	$	(314,157)
Basic and diluted loss per common share	9	$	(0.02)	$	(0.01)
Weighted average number of common shares outstanding			35,819,089		27,833,121

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

QUADRO RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Number of shares	Share capital	Share-based payments reserve	Deficit	Total shareholders' equity
Balance, July 31, 2018		27,427,094	$ 11,886,311	$ 789,228	$ (10,919,221)	$ 1,756,318
Acquisition of exploration and evaluation assets	6	500,000	21,500	-	-	21,500
Share-based payments	10	-	-	46,768	-	46,768
Comprehensive loss for the year		-	-	-	(314,157)	(314,157)
		500,000	21,500	46,768	(314,157)	(245,889)
Balance, July 31, 2019		27,927,094	$ 11,907,811	$ 835,996	$ (11,233,378)	$ 1,510,429
Flow-through private placement	9	2,575,000	128,750	-	-	128,750
Non-flow-through private placement	9	17,112,904	1,311,480	-	-	1,311,480
Share issuance costs	9	-	(11,447)	2,329	-	(9,118)
Acquisition of exploration and evaluation assets	6	1,500,000	140,000	-	-	140,000
Exercise of stock options	9	125,000	24,636	(12,136)	-	12,500
Exercise of warrants	9	2,150,500	107,525	-	-	107,525
Share-based payments	10	-	-	41,410	-	41,410
Comprehensive loss for the year		-	-	-	(670,753)	(670,753)
		23,463,404	1,700,944	31,603	(670,753)	1,061,794
Balance, July 31, 2020		51,390,498	$ 13,608,755	$ 867,599	$ (11,904,131)	$ 2,572,223

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

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

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		$ (670,753)	$ (314,157)
Item not affecting cash:			
Depreciation		546	-
Share-based payments		41,410	46,768
Write-off of exploration and evaluation assets		-	47,186
Changes in non-cash working capital items:			
Receivables		(33,474)	32,559
Prepaid expenses		(83,266)	(2,285)
Trade and other payables		4,924	53,660
Amounts due to related parties		1,313	-
Net cash used in operating activities		(739,300)	(136,269)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation assets		(182,299)	(287,864)
Government grant received		23,727	62,536
Purchase of equipment		(2,183)	-
Net cash used in investing activities		(160,755)	(225,328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,560,255	-
Share issuance costs		(9,118)	-
Net cash provided by financing activities		1,551,137	-
Change in cash during the year		651,082	(361,597)
Cash, beginning of the year		161,105	522,702
Cash, end of the year		$ 812,187	$ 161,105

Supplemental disclosures with respect to cash flows (Note 11)

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", 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 $11,904,131 as at July 31, 2020, 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

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.

2. BASIS OF PREPARATION (cont'd…)

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 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd…)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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, 2020, the Company has no known restoration, rehabilitation or environmental liabilities related to its exploration and evaluation assets.

Financial instruments

(i) Financial assets

All financial assets are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial assets' classification, as described below:

Fair value through profit or loss ("FVTPL"): Financial instruments designated at FVTPL are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to net earnings. Financial instruments under this classification include cash.

Amortized cost: Financial instruments designated at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include receivables.

Fair value through other comprehensive income ("FVOCI"): Financial instruments designated at FVOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. None of the Company's financial assets are classified as FVTOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company's trade and other payables and amounts due to related parties are classified at amortized cost. The Company does not currently have any FVTPL financial liabilities.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at July 31, 2020 and 2019.

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.

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. All of the outstanding stock options and the share purchase warrants were anti-dilutive for the years ended July 31, 2020 and 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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).

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.

New accounting policies

IFRS 16 – Leases

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 was effective for years beginning on or after January 1, 2019. The Company does not have any leases and thus has no significant impact of adopting IFRS 16 on its financial statements.

4. RECEIVABLES

	2020	2019
Sales tax recoverable	$ 55,440	$ 32,035
Receivable due from a related company (Note 8)	16,313	6,244
	$ 71,753	$ 38,279

5. EQUIPMENT

	Computer equipment
Cost	
Balance as at July 31, 2019	$ -
Addition	2,183
Balance as at July 31, 2020	2,183
Accumulated depreciation	
Balance as at July 31, 2019	-
Depreciation for the year	546
Balance as at July 31, 2020	546
Net book value as at July 31, 2020	$ 1,637

6. EXPLORATION AND EVALUATION ASSETS

	Seagull Lake Property	Victoria Lake Property	Other	Total
Acquisition costs				
Option payments	$ 160,000	$ 40,000	$ -	$ 200,000
Deferred exploration expenditures				
Assaying	-	15,038	-	15,038
Equipment rental	-	13,453	-	13,453
Geological consulting	-	68,262	-	68,262
Miscellaneous	-	18,012	-	18,012
Travel	-	13,576	-	13,576
Government grant adjustment	-	(23,727)	-	(23,727)
	-	104,614	-	104,614
Net costs for the year	160,000	144,614	-	304,614
Balance, beginning of the year	-	1,373,768	21,177	1,394,945
Balance, July 31, 2020	$ 160,000	$ 1,518,382	$ 21,177	$ 1,699,559

	Victoria Lake Property	Conche Property	Other	Total
Acquisition costs				
Option payments	$ 3,500	$ 18,000	$ -	$ 21,500
Claim staking/maintenance costs	1,158	-	-	1,158
	4,658	18,000	-	22,658
Deferred exploration expenditures				
Assaying	8,963	-	-	8,963
Drilling	111,153	-	-	111,153
Equipment rental	19,010	2,095	-	21,105
Geological consulting	80,408	2,725	-	83,133
Miscellaneous	86	-	-	86
Travel	26,771	701	-	27,472
Government grant received	(62,536)	-	-	(62,536)
	183,855	5,521	-	189,376
Net costs for the year	188,513	23,521	-	212,034
Write-off of property costs	(21,000)	(26,186)	-	(47,186)
Balance, beginning of the year	1,206,255	2,665	21,177	1,230,097
Balance, July 31, 2019	$ 1,373,768	$ -	$ 21,177	$ 1,394,945

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

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.

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

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.

To earn a 100% interest in the Rose Gold property, the Company was required to make cash payments of $42,500 ($12,500 paid) and issued 450,000 common shares (150,000 common shares issued with a fair value of $8,500) over a three year period. During the year ended July 31, 2019, the Company decided not to proceed with the Rose Gold option agreement and accordingly wrote off the capitalized acquisition costs of $21,000.

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.

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

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 over three years (500,000 shares issued with a fair value of $30,000). The Long Lake property is subject to a 2% NSR, half of which can be purchased by the Company for $1,500,000.

Conche Property, Newfoundland and Labrador

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 (400,000 common shares issued with a fair value of $18,000). Based on the initial exploration results, the Company decided not to proceed with the option agreement and accordingly wrote off the capitalized acquisition and exploration costs of $26,186 during the year ended July 31, 2019.

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

	2020	2019
Trade payables	$ 39,151	$ 11,185
Accrued expenses	66,000	83,000
	$ 105,151	$ 94,185

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, 2019 - $5,000) in advances from the President of the Company and $1,313 for rent payable to a company which a director of the Company is an officer. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

Included in receivables are $16,313 (July 31, 2019 - $6,244) of rental payment due from a company with directors in common with the Company.

Included in prepaid expenses are $nil (July 31, 2019 - $8,400) 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:

	2020	2019
Management fees	$ 107,500	$ 96,000
Rent	15,000	15,000
Share-based payments	14,440	40,172

The Company entered into the following related party transactions during the year ended July 31, 2020:

a) Paid or accrued management fees of $78,000 (2019 - $72,000) to a company controlled by the President of the Company for management services provided.

b) Paid or accrued management fees of $29,500 (2019 - $24,000) to the Chief Financial Officer of the Company for management services provided.

c) Incurred rent expenses of $15,000 (2019 - $15,000) to a company which a director of the Company is an officer.

9. 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, 2020, the Company had 51,390,498 common shares issued and outstanding (July 31, 2019 - 27,927,094).

9. SHARE CAPITAL (cont'd…)

Share issuance

During the year ended July 31, 2020, the Company:

i) Completed a private placement of 8,287,904 non-flow-through units at a price of $0.105 per unit for gross proceeds of $870,230. Each 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 24 months at an exercise price of $0.25. There was no value assigned to the warrant component of the units.

ii) Completed a private placement of 8,825,000 non-flow-through units at a price of $0.05 per non-flow-through unit and 2,575,000 flow-through units at a price of $0.05 per flow-through unit for gross proceeds of $570,000. 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 12 months at a price of $0.05. Each flow-through unit is comprised of one common share and one of a share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of 12 months at a price of $0.05. 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 $4,550 in cash and 91,000 warrants which have the same terms as the warrants issued with the private placement units. The agent's warrants were valued at $2,329 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.67%, an expected life of 1 year, annualized volatility of 106% and a dividend rate of 0%). The Company also incurred filing expenses and other share issuance costs of $4,568 in connection with the private placement. There was no premium received by the Company on issuance of the flow-through shares.

iii) Issued 1,000,000 common shares pursuant to the Seagull Lake option agreement (Note 5) with a fair value of $110,000.

iv) Issued 500,000 common shares pursuant to the Long Lake option agreement (Note 5) with a fair value of $30,000.

v) Issued 125,000 common shares at $0.10 per share upon the exercise of stock options for proceeds of $12,500. Accordingly, $12,136 was transferred from share-based payments reserve to share capital.

vi) Issued 2,150,500 common shares at $0.05 per share upon the exercise of warrants for proceeds of $107,525.

During the year ended July 31, 2019, the Company:

i) Issued 400,000 common shares pursuant to the Conche property agreement (Note 5) with a fair value of $18,000.

ii) Issued 100,000 common shares pursuant to the Rose Gold property agreement (Note 5) with a fair value of $3,500.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended July 31, 2020 was based on the loss attributable to common shareholders of $670,753 (2019 - $314,157) and a weighted average number of common shares outstanding of 35,819,089 (2019 - 27,833,121).

At July 31, 2020, 2,275,000 stock options (2019 - 1,950,000) and 13,484,452 warrants (2019 - nil) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

10. 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, 2018 and 2019	1,950,000	$ 0.10
Granted	450,000	0.14
Exercised	(125,000)	0.10
Balance, July 31, 2020	2,275,000	$ 0.10
Exercisable at July 31, 2020	2,275,000	$ 0.10
Weighted average fair value of options granted during the year	$ 0.09	(2019 - $ nil)

The options outstanding at July 31, 2020 have exercise prices in the range of $0.08 to $0.25 and a weighted average remaining contractual life of 2.61 years.

The total share-based payments calculated for stock options granted during the year ended July 31, 2020 was $41,410 (2019 - $nil) using the Black-Scholes option pricing model. For the year ended July 31, 2020, the Company recognized share-based payment expense of $41,410 (2019 - $46,768) 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:

	2020	2019
Risk-free interest rate	1.74%	-
Expected life of options	4.33 Years	-
Annualized volatility	139.79%	-
Dividend rate	Nil	-

10. SHARE-BASED PAYMENTS (cont'd…)

Stock options (cont'd…)

As at July 31, 2020 the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
1,825,000	$ 0.10	January 18, 2023
300,000	$ 0.08	November 8, 2023
150,000	$ 0.25	July 8, 2023
2,275,000		

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 of Warrants	Weighted Average Exercise Price
Balance, July 31, 2018	11,126,160	$ 0.16
Warrants expired	(11,126,160)	0.16
Balance, July 31, 2019	-	$ -
Warrants granted	15,543,952	0.10
Agents' warrants granted	91,000	0.05
Exercised	(2,150,500)	0.05
Balance, July 31, 2020	13,484,452	$ 0.11

10. SHARE-BASED PAYMENTS (cont'd…)

Warrants (cont'd…)

The warrants outstanding at July 31, 2020 have exercise prices in the range of $0.05 to $0.25 and a weighted average remaining contractual life of 0.92 year.

As at July 31, 2020, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
703,500	$ 0.05	December 31, 2020
8,637,000	$ 0.05	January 28, 2021
2,363,000	$ 0.25	June 6, 2022
1,780,952	$ 0.25	June 23, 2022
13,484,452		

11. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash investing and financing transactions during the year ended July 31, 2020 included:

a) The Company issued 1,500,000 common shares pursuant to mineral property agreements with a total value of $140,000.

b) Included in trade and other payables are $10,033 related to exploration and evaluation assets.

Significant non-cash investing and financing transactions during the year ended July 31, 2019 included:

a) The Company issued 500,000 common shares pursuant to mineral property agreements with a total value of $21,500.

b) Included in trade and other payables are $3,991 related to exploration and evaluation assets.

12. 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.

13. INCOME TAXES

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

		2020		2019
Loss before income taxes	$	(670,753)	$	(314,157)
Corporate tax rate		27.0%		27.0%
Expected income tax recovery at statutory rates	$	(181,000)	$	(85,000)
Change in statutory, foreign tax, foreign exchange rates and other		(5,000)		25,000
Permanent differences		12,000		26,000
Impact of flow through shares		-		51,000
Share issuance costs		(3,000)		-
Prior year true up		(6,000)		-
Change in unrecognized deductible temporary differences		183,000		(17,000)
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:

		2020		2019
Allowable capital losses	$	165,000	$	154,000
Equipment		4,000		3,000
Share issuance costs		11,000		13,000
Exploration and evaluation assets		165,000		165,000
Non-capital losses available for future periods		1,086,000		913,000
Net unrecognized deferred income tax assets	$	1,431,000	$	1,248,000

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:

		2020	Expiry dates		2019	Expiry dates
Allowable capital losses	$	612,000	Not applicable	$	612,000	Not applicable
Equipment	$	14,000	Not applicable	$	12,000	Not applicable
Share issuance costs	$	41,000	2040 to 2042	$	48,000	2040 to 2042
Exploration and evaluation assets	$	593,000	Not applicable	$	569,000	Not applicable
Investment tax credit	$	7,000	2021 to 2039	$	-	Not applicable
Non-capital losses available for future periods	$	4,024,000	2026 to 2039	$	3,381,000	2026 to 2039

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

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 July 31, 2020, 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 July 31, 2020, the Company had a cash balance of $812,187 to settle trade and other payables of $105,151 and due to related parties of $6,313. 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 year ended July 31, 2020.

	Level 1	Level 2	Level 3	Total
July 31, 2020				
Cash	$ 812,187	$ -	$ -	$ 812,187
July 31, 2019				
Cash	$ 161,105	$ -	$ -	$ 161,105

16. EVENT AFTER THE REPORTING PERIOD

Subsequent to July 31, 2020:

i) The Company issued 560,000 common shares at a price of $0.05 per share from the exercise of warrants for gross proceeds of $28,000.

ii) On October 8, 2020, the Company signed a LOI with Metals Creek Resources Corp. ("MEK") to earn a 100% interest in MEK's Careless Cove and Yellow Fox properties in Newfoundland (together, the "Property"). The terms of the acquisition are outlined as follows:

1. The Property consists of five licenses (40 units) in two separate groupings referred to as the Careless Cove group and the Yellow Fox group.

2. To acquire MEK's interest, the Company will issue to MEK a total $100,000 and 1,500,000 shares according to the following schedule:
   (a) $15,000 and 300,000 on signing;
   (b) $20,000 and 300,000 shares on the first anniversary;
   (c) $20,000 and 400,000 shares on the second anniversary; and
   (d) $45,000 and 500,000 shares on the third anniversary

3. Once the Company is vested at 100% by meeting all the payments above, MEK will retain a 2.0% Net Smelter Return (NSR) royalty on any future mineral production. The Company will have the right to purchase 50% of the NSR from MEK for $1,000,000.

The LOI was approved by the Exchange and the Company issued 300,000 shares and paid MEK $15,000.