
Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Financial Statements

(Expressed in Canadian Dollars)

Nine Months Ended April 30, 2012

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Zadar Ventures Ltd. for the nine months ended April 30, 2012 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these interim financial statements.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Financial Statements

(Expressed in Canadian Dollars)

Nine Months Ended April 30, 2012

Interim Statements of Financial Position	4
Interim Statements of Operations and Comprehensive Loss	5
Interim Statement of Changes in Equity	6
Interim Statements of Cash Flows	7
Notes to the Interim Financial Statements	8–17

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Note	April 30 2012	July 31 2011
<hr/>			
Assets			(Note 8)
Current			
Cash		\$ 26,461	\$ 62,359
HST/GST recoverable		23,452	11,910
Prepaid expenses		1,200	1,200
Due from related party	7	-	2,400
		<u>51,113</u>	<u>77,869</u>
Deferred financing costs	9	32,000	22,000
Mineral property	4	<u>162,056</u>	<u>162,056</u>
		\$ <u>245,169</u>	\$ <u>261,925</u>
<hr/>			
Liabilities			
Current			
Accounts payable and accrued liabilities	7	\$ <u>96,057</u>	\$ <u>60,849</u>
Shareholders' Equity			
Share capital	5	372,000	319,000
Subscriptions receivable		(22,500)	(22,500)
Deficit		<u>(200,388)</u>	<u>(95,424)</u>
		<u>149,112</u>	<u>201,076</u>
		\$ <u>245,169</u>	\$ <u>261,925</u>
<hr/>			

Subsequent events (Note 9)

On behalf of the board:

"Mark Tommasi"

_____, Director

"Peter Wilson"

_____, Director

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Operations and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Note	Three Months Ended		Nine Months Ended	
		April 30		April 30	
		2012	2011	2012	2011
			(Note 8)		(Note 8)
Administrative expenses					
Accounting and audit		\$ 9,000	\$ 6,000	\$ 19,260	\$ 6,982
Bank charges and interest		47	42	164	430
Consulting		3,500	-	3,500	-
Legal		-	982	12,041	-
Listing, filing and reports		200	-	22,674	4,000
Management fees	7	7,500	7,500	22,500	22,500
Office and sundry	7	8,175	6,365	24,825	18,465
		<u>28,422</u>	<u>20,889</u>	<u>104,964</u>	<u>52,377</u>
Net loss and comprehensive loss		\$ <u>(28,422)</u>	\$ (20,889)	\$ <u>(104,964)</u>	\$ (52,377)
Basic and diluted loss per share		\$ <u>(0.00)</u>	\$ (0.00)	\$ <u>(0.02)</u>	\$ (0.01)
Basic and diluted weighted average shares outstanding		<u>6,825,556</u>	6,100,000	<u>6,595,073</u>	5,202,564

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(an Exploration Stage Enterprise)

Interim Statement of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Shares of common stock	Share capital	Subscriptions received in advance	Subscriptions receivable	Deficit	Total
August 1, 2010 (Note 8)	1,100,000	\$ 11,000	\$ 35,000	\$ (2,501)	\$ (11,981)	\$ 31,518
Issued for cash	5,000,000	295,000	(35,000)	(19,999)	-	240,001
Net loss	-	-	-	-	(37,116)	(37,116)
January 31, 2011 (Note 8)	6,100,000	306,000	-	(22,500)	(49,097)	234,403
Issued for cash	-	-	-	-	-	-
Issued for property	200,000	13,000	-	-	-	13,000
Net loss	-	-	-	-	(46,327)	(46,327)
July 31, 2011 (Note 8)	6,300,000	319,000	-	(22,500)	(95,424)	201,076
Issued for exercise of warrants	530,000	53,000	-	-	-	53,000
Net loss	-	-	-	-	(104,964)	(104,964)
April 30, 2012	6,830,000	\$ 372,000	\$ -	\$ (22,500)	\$ (200,388)	\$ 149,112

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

	Nine Months Ended April 30	
	2012	2011
Cash flows from operating activities		
Net loss	\$ (104,964)	\$ (52,377)
Changes in non-cash working capital		
Goods and services tax recoverable	(11,542)	(5,141)
Prepaid expenses	-	(10,200)
Accounts payable and accrued liabilities	35,208	4,675
	<u>(81,298)</u>	<u>(63,043)</u>
Cash flows from investing activities		
Mineral property costs	-	(52,080)
Cash flows from financing activities		
Proceeds from issuance of common stock	53,000	237,817
Repayment of advances (from) to related parties	2,400	(62,500)
Deferred financing costs	(10,000)	-
	<u>45,400</u>	<u>175,317</u>
(Decrease) Increase in cash	(35,898)	60,194
Cash at beginning of the period	<u>62,359</u>	<u>11,418</u>
Cash at end of the period	<u>\$ 26,461</u>	<u>\$ 71,612</u>
Supplemental disclosure with respect to cash flows		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

1. Nature of Operations

Zadar Ventures Ltd. (“Zadar” or the “Company”) was incorporated on August 6, 2008 under the Business Corporations Act of British Columbia and its principal activity is the exploration of mineral properties.

2. Basis of Preparation and First Time Adoption of IFRS

We prepare our financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in the interim financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

The interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”) and IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”). We have consistently applied the same accounting policies in our opening IFRS statement of financial position as at August 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 8 discloses the impact of the transition to IFRS on our reported statement of financial position, comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended July 31, 2011.

The policies applied in the interim financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of April 10, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual financial statements for the year ending July 31, 2012 could result in restatement of the interim financial statements, including the transition adjustments recognized on change-over to IFRS.

Going concern of operations

These interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as going-concern depends on its ability to raise adequate financing and to develop profitable operations.

Management is actively targeting sources of additional financing, including the completion of its initial public offering (Note 9). As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the interim financial statements, in conformity with IAS 34 and IFRS 1, requires estimates and assumptions that affect the amounts reported in the financial statements. Significant areas where judgment is applied include the carrying value and recoverability of mineral property costs, inputs used in accounting for share-based compensation and provisions for site restoration. Actual results could differ from our estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of 90 days or less.

(c) Exploration costs

Pre-exploration costs or property investigation costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to income or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

(d) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

3. Significant Accounting Policies (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) *Financial assets and liabilities at fair value through profit or loss:* A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. The Company has classified cash in this category.

(ii) *Available-for-sale investments:* Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

(iii) *Held-to-Maturity investments:* Held-to-maturity investments are non-derivatives that are designated in this category where the Company's intent is to hold the investment to maturity.

Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost. The Company does not hold any held-to-maturity assets.

(iv) *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise amounts due from related parties, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The Company has classified due from related party as loans and receivables.

(v) *Financial liabilities at amortized cost:* Financial instruments held by the Company and classified in this category include trade payables and accrued liabilities. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables and accrued liabilities are measured at amortized cost using the effective interest method.

(vi) *Derivative financial instruments:* Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other gains (losses) in earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. The Company does not hold any derivative instruments.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

3. Significant Accounting Policies (continued)

(e) Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

(f) Share-based Compensation

The Company accounts for stock options granted to directors, officers, employees and nonemployees at fair value. The fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees is remeasured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. Charges for options that are forfeited before vesting are reversed from Contributed Surplus.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(g) Loss per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

3. Significant Accounting Policies (continued)

(h) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for July 31, 2012 reporting periods. Management has decided against early adoption of these standards. Management's assessment of the impact of these new standards and interpretations is set out below:

IAS 12 – 'Income Taxes' – Amendments Regarding Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after January 1, 2012 and provide a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. These amendments will be adopted on August 1, 2012 but the tax effect, if any, of adopting these amendments is yet to be assessed.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

3. Significant Accounting Policies (continued)

IFRS 9 – ‘Financial Instruments’

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after January 1, 2013. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard will be adopted on August 1, 2013 but the impact of its adoption is yet to be assessed.

IFRS 13 - ‘Fair Value Measurement’

This new standard is applicable for annual reporting periods beginning on or after January 1, 2013. This standard establishes a single course of guidance for determining the fair value of assets and liabilities. This standard will be adopted on August 1, 2013 but the impact of its adoption is yet to be assessed.

4. Mineral Property

The Company entered into an option agreement with 1177129 Alberta Ltd., (the “Optionor”), a company controlled by a company having an officer in common with Zadar, in April 2010, subsequently amended May 30, 2011, to acquire up to a 75% interest in certain mineral interests located in Alberta, known as the Whiskey Gap Project.

To earn a 60% interest, the Company at its option, must make total cash payments of \$100,000 (\$28,000 paid), issue 1,100,000 shares of the Company (300,000 shares issued), and incur exploration expenditures of \$450,000 by various dates over a period ending on September 30, 2012.

To earn an additional 15% interest, the Company at its option must issue an additional 1,000,000 shares and incur an additional \$500,000 in exploration expenditures on or before September 30, 2013.

Upon earning either a 60% or 75% interest, the Company and the Optionor will form a joint venture with standard dilution clauses.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

4. Mineral Property (continued)

Details of mineral property costs for the period ended April 30, 2012 are as follows:

	Acquisition Costs	Exploration Costs	Total
Whiskey Gap Project			
Acquisition costs - cash	\$ -	\$ -	\$ -
Acquisition costs - shares	-	-	-
Exploration costs	-	-	-
Mineral property costs for the period	-	-	-
Balance, beginning of period	<u>42,000</u>	<u>120,056</u>	<u>162,056</u>
Balance, end of period	<u>\$ 42,000</u>	<u>\$ 120,056</u>	<u>\$ 162,056</u>

5. Share Capital

(a) Authorized share capital

100,000,000 common shares without par value

(b) Share purchase options

The Company has an incentive stock option plan (the "Plan"), whereby the Company may grant stock options to directors, officers, employees or consultants. Under the Plan, options are exercisable up to a maximum of 10 years as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the Company's shares on the trading day immediately preceding the day on which the Company announces the grant of options. The Plan provides for the issuance of up to 10% of the Company's issued common shares at the date of the grant.

	Number of options	Weighted average exercise price \$
Options outstanding at July 31, 2011	450,000	0.25
Granted	150,000	0.25
Options outstanding at April 30, 2012	<u>600,000</u>	<u>0.25</u>

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

5. Share Capital (continued)

On October 14, 2010, the Company granted to employees, consultants, directors and officers of the Company options to purchase up to 450,000 common shares of the Company at an exercise price of \$0.25 per share. On September 1, 2011 the Company granted an additional 150,000 options with the same terms. The options are exercisable for a period of five years commencing on the date that the Company's stock is listed on the TSX Venture Exchange.

The fair value of the stock options was estimated to be \$10,795 using the Black-Scholes option pricing model, with the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	100.00%
Risk-free interest rate	1.41%
Expected life of options	5 years

Option pricing models require the input of highly subjective assumptions, particularly the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(c) Share purchase warrants

As of April 30, 2012, the Company has 2,470,000 share purchase warrants outstanding, which are exercisable at a price of \$0.10 per share and which expire on October 10, 2013.

6. Financial Instruments and Risk Management

Fair Values

The fair values of the Company's cash, accounts payable and accrued liabilities are estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's only significant financial asset is cash which is on deposit at a high credit-worthy financial institution.

Market risk

Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently hold any financial instruments that mitigate this risk.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

6. Financial Instruments and Risk Management (continued)

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company expects to satisfy obligations under accounts payable and accrued liabilities. Management intends to continue to finance its activities by raising funds by private equity investments. Even if it has succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and believes that liquidity risk is high.

7. Related Party Transactions

During the nine months ended April 30, 2012, management and administration fees of \$22,500 (2011 - \$22,500) and office administration fees of \$24,825 (2011 - \$18,465) were paid or accrued to companies controlled by directors or officers of the Company for services provided. These amounts have been recorded at the exchange amount being the compensation agreed to by the parties.

Accounts payable and accrued liabilities as of April 30, 2012 include \$51,401 (July 31, 2011 - \$35,641) owing to companies controlled by officers of the Company for services rendered.

As of July 31, 2011, the Company had advanced \$2,400 unsecured and non-interest bearing to a company controlled by an officer of Zadar. The advance was repaid during the period ended January 31, 2012.

8. First Time Adoption of IFRS

Under IFRS 1 – First Time Adoption of International Financial Reporting Standards, the Company is required to reconcile equity, comprehensive income (loss) and cash flows for prior periods.

The change to comprehensive loss outlined below has resulted in the reclassifications of certain amounts in the statements of changes in equity and of cash flows. However, as there has been no impact on total equity or on net cash flows, no reconciliation of the statements of changes in equity and of cash flows have been provided.

Reconciliation of Comprehensive Loss

	Three months Ended April 30 2011	Nine months Ended April 30 2011
Comprehensive loss under Canadian GAAP	\$ (4,111)	\$ 27,337
Future income tax recovery - flow through shares	25,000	25,000
Comprehensive loss under IFRS	\$ 20,889	\$ 52,337

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

April 30, 2012

8. First Time Adoption of IFRS (continued)

Under Canadian GAAP, the proceeds from the issuance of flow-through shares were recognized in share capital less the tax effects of the renunciation. Under IFRS, upon issuance of flow-through shares, the Company records the value of the flow-through shares issued, less an estimated premium that the investor paid for the flow-through feature to be recognized as a liability. Any estimated premium would be recorded as other income and the related deferred tax recognized as a tax provision.

The Company determined that no premium existed for the flow-through feature upon issuance of the flow-through shares on August 16, 2010; therefore a future income tax recovery of \$25,000 for the year-ended July 31, 2011 has been reversed in its entirety. This results in an increase to comprehensive loss and deficit of \$25,000 and a corresponding increase to share capital.

9. Initial Public Offering

On May 25, 2012, the Company announced that, it successfully completed its initial public offering (the "IPO") of 2,200,000 common shares in the capital of the Company at a price of \$0.25 per common share for gross proceeds of \$550,000 (the "Proceeds"). Wolverton Securities Ltd. (the "Agent"), was paid a marketing commission of \$38,500, a corporate finance fee of \$25,000, and was granted an option to acquire common shares in an amount equal to 8% of the number of shares sold under the Offering, at an exercise price of \$0.25 per common share for a period of 36 months commencing May 28, 2012.