

## **ZADAR VENTURES LTD.**

### **Management Discussion and Analysis**

**(Expressed in Canadian Dollars, Unless Otherwise Stated)**

**For the Year Ended July 31, 2012**

## **INTRODUCTION**

This Management Discussion and Analysis (“MD&A”) of the operating results and financial condition of Zadar Ventures Ltd. (the “Company” or “Zadar”) for the year ended July 31, 2012 is prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the audited financial statements for the year ended July 31, 2012.

IFRS replaces current Canadian GAAP for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011; accordingly, the audited financial statements for the year ended July 31, 2012 have been prepared in accordance with IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”).

This MD&A is prepared as of November 28, 2012. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains certain statements that constitute forward-looking statements. When used in this document the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “future”, “intend”, “may”, “will”, “should”, “predicts”, “potential”, “continue”, and similar expressions, as they relate to Zadar Ventures Ltd. or its management, are intended to identify forward-looking statements. Such statements reflect current views of Zadar Ventures Ltd. with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance, or achievements to be materially different for many future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. Zadar Ventures Ltd. does not intend, and does not assume, any obligation to update these forward looking statements.

## **DESCRIPTION OF THE BUSINESS**

Zadar Ventures Ltd. is a public company incorporated under the *Business Corporations Act* of British Columbia on August 6, 2008. The common shares of Zadar commenced trading on the TSX Venture Exchange on May 28, 2012 under the trading symbol “ZAD”

The Company's principal business activity is the acquisition and exploration of mineral properties.

The Company's corporate office and principal place of business is at Suite 609 – 475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3.

The Company is engaged in the business of mineral exploration. It acquires, explores, and develops mineral resource properties. The Company's immediate goal is to undertake follow-up exploration for uranium in the Province of Alberta. It commenced operations in April, 2010 with exploration activities in Alberta.

### **The Whiskey Gap Property**

The Company entered into an Option Agreement dated April 29, 2010 as amended on May 30, 2011, September 30, 2011 and June 1, 2012 with 1177129 Alberta Limited (the "Optionor"). The Optionor is a wholly owned subsidiary of International Ranger Corp. Jason Walsh, who is the President and Director of the Optionor, is also a Director of International Ranger Corp. and a shareholder and former Chief Financial Officer and Secretary of the Company.

The Option Agreement, as amended, provides that in order for the Company to earn a 60% interest in the Property (as hereinafter defined), the Company must pay the Optionor:

- a) \$12,500 (which has been paid) and issue and allot to the Optionor 100,000 shares of the Company (which have been issued);
- b) on or before the first anniversary of the execution of the Agreement, it must pay the Optionor a further \$12,500 (which has been paid) and issue and allot to the Optionor a further 200,000 shares (which have been issued);
- c) on or before the second anniversary of the execution of the Agreement, it must pay the Optionor a further \$25,000 (which has been paid) and issue and allot to the Optionor a further 300,000 shares (which have been issued);
- d) on or before the third anniversary of the execution of the Agreement, it must pay the Optionor a further \$50,000 and issue and allot to the Optionor a further 500,000 shares;
- e) on or before September 30, 2010, the Company shall expend not less than \$100,000 on Exploration Expenditures on the Property; (which has been incurred)
- f) on or before June 30, 2012, the Company shall pay \$100,000 to the Optionor (paid);
- g) on or before December 31, 2012, the Company shall pay a further \$50,000 and issue and allot to the Optionor a further 500,000 shares.

The Company has a further option to acquire an additional 15% interest in the Property by issuing the Optionor an additional 1,000,000 shares and expending an additional \$500,000 for Exploration Expenditures on or before September 30, 2013.

The Company will be the operator of the exploration work on the Property. It has a right to enter the Property. After earning a 60% interest in the Property by expending a total of not less than \$100,000 in Exploration Expenditures, paying \$250,000 and issuing 1,600,000 shares, the Company may elect to enter into a joint venture. If the Company elects to earn a further 15% interest, it must issue the additional shares and expend an additional \$500,000 for Exploration Expenditures on or before September 30, 2013. If this occurs, it may then elect to enter into a joint venture. Each of the parties to the Option Agreement has a right of first refusal to purchase the party's interest if the other party intends to dispose of its interest. Either party may transfer its interest in the Property and the Option Agreement, provided that such transferring party's obligations under the Option Agreement will continue unless released in writing by the other party, and provided that any transferee of such interest enter into a written agreement with the other party whereby it agrees to take on the obligations of the transferring party under the Option Agreement. The Company may terminate the Option Agreement upon five days' written notice to the Optionor, provided that the Company is not in default of the Option Agreement at the time the notice is given. The Optionor may terminate the Option Agreement if the Company has failed to make any payments or failed to do anything on or before the last day provided for such payment or performance, but only if it has given the Company written notice of such failure and the Company has not, within sixty days of the delivery of such notice, cured the failure by appropriate payment or performance.

Surface access agreements have been signed with 2 land owners on June 1, 2010, for an area of 258 hectares (one square mile surrounding hole 06-22), granting the Company unrestricted surface access and the right to drill an unlimited number of holes for a period of one year. The agreements may be extended for an additional 2 years, at the Company's option, by paying the owners an aggregate annual fee of \$10,375 per year of extension, to a maximum of two additional years (the agreements were extended).

Metallic mineral production in Alberta is subject to a provincial royalty amounting to one percent gross mine mouth revenue until payout and the greater of one percent gross mine mouth revenue and 12 % net revenue, after payout. 6

## **RESULTS OF OPERATIONS**

The Company's net loss for the year ended July 31, 2012 was \$241,811 as compared to a net loss of \$83,443 for the year ended July 31, 2011. The increase in net loss is due mainly to accounting, legal and regulatory fees associated with the Company's initial public offering, which was accepted on May 25, 2012.

## SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue	Net loss	Loss per share
July 31, 2012	–	(136,847)	(0.03)
April 30, 2012	–	(28,422)	(0.00)
January 31, 2012	–	(20,787)	(0.00)
October 31, 2011	–	(55,755)	(0.01)

## LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2012, the Company had working capital of \$163,939. To date, the Company has relied entirely upon the sale of Common Shares, including the completion of its initial public offering on May 25, 2012, to generate working capital for exploration activities and to fund the administration expenses of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of Common Shares to raise capital. There can be no assurance that financing will be available to the Company when required.

The Company has financed its operations primarily through the proceeds of the sale of its Common Shares. The Company incurred a total of \$186,500 for mineral property acquisition costs and \$135,056 in exploration expenditures on the Property from incorporation to July 31, 2012.

Current liabilities as at July 31, 2012 consisted of accounts payable and accrued liabilities of \$96,795 and due to related parties of \$4,000.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. The Company believes that its current financial resources will be adequate to meet its business objectives and projected working capital and other cash requirements for at least 12 months following completion of the Offering. However, there can be no assurance that these funds will be sufficient and the Company may have to evaluate additional means of financing, including additional debt or equity financings. See "Risk Factors".

## OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

During the year ended July 31, 2012 the Company incurred an aggregate of \$30,000 (2011 – \$30,000) for management fees of which \$12,000 was payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the President and director of the Company and \$18,000 was payable to Bua Capital Management Ltd. Office administration fees of \$33,000 (2011-\$26,135) were paid or accrued to Bua Group Holdings Ltd.

Amounts due to related parties comprise \$4,000 in advances from companies controlled by officers and directors. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

During the year ended July 31, 2011, the Company advanced \$2,400 to Bua Capital Management Ltd., as an unsecured, non-interest bearing loan due on demand. The loan was repaid to the Company during the period ended January 31, 2012.

As at July 31, 2012, accounts payable included amounts owed to Bua Capital Management Ltd. (\$4,358) and 622738 B.C. Ltd. (\$1,360).

Jason Walsh, the former CFO and former Secretary of the Company, is a director of Bua Group Holdings Ltd. Geoffrey R. Watson, the CFO and Secretary of the Company, is a shareholder of Bua Group Holdings Ltd. Jason Walsh is also a director and shareholder of Bua Capital Management Ltd.

## PROPOSED TRANSACTIONS

There are no proposed assets or business acquisitions or disposition, other than those in the ordinary course of business, before the board of directors for consideration.

## COMMON SHARES OUTSTANDING

	Number	Issued price	Amount
<b>August 1, 2010</b>	<b>1,100,000</b>		<b>\$ 11,000</b>
Issued for cash	5,000,000	\$ .059	295,000
<b>Balance at January 31, 2011</b>	<b>6,100,000</b>		<b>306,000</b>
Issued for property	200,000	\$ 0.065	13,000
<b>Balance at July 31, 2011</b>	<b>6,300,000</b>		<b>319,000</b>
Issued for exercise of warrants	505,000	\$ 0.10	50,500
Issued for property	300,000	\$ 0.065	19,500
Initial public offering	2,200,000	\$ 0.25	550,000
Share issuance costs	—		(144,755)
<b>Balance at July 31, 2012 and November 28, 2012</b>	<b>9,305,000</b>		<b>\$ 794,245</b>

## **WARRANTS OUTSTANDING**

As of November 28, 2012, the Company has 2,495,000 share purchase warrants outstanding, which are exercisable at a price of \$0.10 per share and which expire on October 10, 2013.

## **AGENT'S WARRANTS OUTSTANDING**

As of November 28, 2012, the Company has 176,000 agent's warrants outstanding, which are exercisable at a price of \$0.25 per share and which expire on May 28, 2015.

## **OPTIONS OUTSTANDING**

As of November 28, 2012, the Company has 600,000 options outstanding, which are exercisable at a price of \$0.25 per share and which expire on May 28, 2017.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

### **IFRS 1, First-time Adoption of IFRS**

IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective applications of IFRS. The purpose of the exemptions is to provide relief to companies and simplify the conversion process by not requiring them to recreate information that may not exist or may not have been collected at the inception of the transaction. The financial statements for the year ended July 31, 2012 have been prepared in accordance with IFRS applicable to the preparation of annual financial statements. The Company has consistently applied the same accounting policies in the 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 10 to the financial statements discloses the impact of the transition to IFRS on the Company's 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 the Company's financial statements for the year ended July 31, 2011.

### **Mineral Properties, Exploration and Development Costs**

IFRS currently allows exploration and evaluation expenses to be either capitalized or expensed. The Company has maintained its policy of capitalizing exploration and evaluation expenses.

### **Impairment of Mineral Properties**

Canadian GAAP provides for a 2 step test with no impairment being required if the undiscounted future expected cash flows relating to an asset are higher than the carrying value of that asset. Under IFRS, the undiscounted cash flows are not considered and an impairment is recorded when the recoverable amount (defined as the higher of 'value in use' and 'fair value less costs to sell') is below the asset's carrying value. The Company will be required to adopt the discounted

future cash flow approach with respect to impairment analysis of its mineral properties. Impairment under this approach may generate a greater likelihood of write-downs in future periods. Write-down to net realizable value can be reversed under IFRS if the conditions of impairment ceased to exist. This difference in approach between Canadian GAAP and IFRS could result in potentially significant volatility in earnings.

### **Assets Retirement Obligations**

IFRS defines asset retirements obligations (“ARO”) as legal or constructive obligations. Under IFRS, ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates. Under Canadian GAAP, ARO is calculated using a current credit-adjusted, risk-free rate for upward revisions and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rate. The change in calculation of ARO and the discounting process did not impact the Company at transition as there are no material ARO’s.

### **Stock Based Compensation**

Under IFRS, each installment is to be treated as a separate share option grant with graded vesting features, forfeitures are to be estimated at time of grant and revised if actual forfeitures are likely to differ from previous estimates, and options granted to parties other than employees are measured on the date the goods or services received. The concept of employees and other providing similar services under IFRS is a broader concept under IFRS. The Company’s current policy is consistent with IFRS.

The Company continues to monitor IFRS standards development as issued by the International Accounting Standard Board and the regulators which may affect the timing, nature and disclosure of the Company’s adoption of IFRS.

## **CRITICAL ACCOUNTING ESTIMATES**

### **Mineral Properties and Exploration Costs**

The Company records its interests in mineral properties and exploration costs at historical cost. All direct costs are capitalized until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized on the unit of production basis over the proven reserves of the related property following commencement of production. Proceeds received, as a result of the sale of a mineral property, will be applied first against the book value of the property, and any excess will be set off against deferred exploration costs.

The mineral properties and exploration costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When there is evidence of impairment, the net carrying amount of the asset will be written down to its net recoverable amount which is the estimated undiscounted future net cash flows expected to

result from the asset and its eventual disposition. The loss on impairment written off is not reversed even if circumstances change and the net recoverable amount subsequently increases.

The amounts shown as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments include cash, due from related parties, accounts payable and accrued liabilities and amounts due to related parties. In management's opinion, the Company is not exposed to significant interest rate, currency exchange rate, liquidity or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values because of their current nature. The Company is not exposed to derivative financial instruments.

The Company classifies financial assets and liabilities as fair value through profit and loss, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition.

The Company classified its cash as loans and receivables and its accounts payable and accrued liabilities and due to related parties as other financial liabilities.

## **OTHER RISKS AND UNCERTAINTIES**

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production. In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

### **Risks associated with exploration stage companies**

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has not proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no



revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

### **Exploration and development**

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

### **Property title**

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may be exacerbated due to the large number of title transfers historically involved with some properties.

### **Licenses and permits**

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain such licenses and permits may adversely affect the Company's business as the Company would be

unable to legally conduct its intended exploration and development work which may result in its losing its interest in the subject property.

### **Operating hazards and risks**

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

### **Competition**

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

### **Profitability of operations**

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

### **Market risks**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of its reserves to processing facilities, and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals, and many other aspects of the mining business. Declines in mineral prices may have a negative effect of the Company.

**Future financings**

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

**Going concern**

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).