
Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Financial Statements

(Unaudited – Prepared by Management)

Six Months Ended January 31, 2015

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 Six Months ended January 31, 2015 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

(Unaudited – Prepared by Management)

Six Months Ended January 31, 2015

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Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Balance Sheets

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | January 31 2015 | July 31 2014 |
|---|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 2,317 | \$ 27,016 |
| Investment (Note 4) | 303,623 | 435,214 |
| Goods and services tax recoverable | 33,885 | 30,285 |
| Due from related parties (Note 9) | 32,045 | 41,960 |
| Prepaid expenses | 3,275 | 4,980 |
| | <u>375,145</u> | <u>539,455</u> |
| Exploration advances | 6,154 | 6,154 |
| Exploration and evaluation assets (Note 5) | <u>2,036,414</u> | <u>2,036,414</u> |
| | <u>\$ 2,417,713</u> | <u>\$ 2,582,023</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 9) | \$ 284,438 | \$ 226,335 |
| Due to related parties (Note 9) | 39,811 | 39,811 |
| | <u>324,249</u> | <u>266,146</u> |
| Shareholders' Equity | | |
| Share capital (Note 6) | 4,488,483 | 4,488,483 |
| Subscriptions received in advance | - | - |
| Subscriptions receivable | (43,680) | (43,680) |
| Contributed surplus | 193,709 | 193,709 |
| Deficit | <u>(2,545,048)</u> | <u>(2,322,635)</u> |
| | <u>2,093,464</u> | <u>2,315,877</u> |
| | <u>\$ 2,417,713</u> | <u>\$ 2,582,023</u> |

Nature of operations and Going Concern (Note 1)

On behalf of the board:

"Mark Tommasi"

_____, Director

"Peter Wilson"

_____, Director

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Operations and Deficit

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | Three Months Ended January 31 | | Six Months Ended January 31 | |
|--|----------------------------------|---------------------|--------------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Administrative expenses | | | | |
| Accounting and audit | \$ 23,300 | \$ 2,910 | \$ 26,800 | \$ 12,910 |
| Bank charges and interest | 126 | 412 | 169 | 549 |
| Consulting | 10,275 | 109,156 | 10,275 | 125,418 |
| Legal | 548 | 14,424 | 855 | 14,761 |
| Listing and filing fees | 5,903 | 31,600 | 6,003 | 40,472 |
| Management fees | 7,500 | 12,700 | 15,000 | 28,600 |
| Office and sundry | 12,300 | 25,652 | 27,215 | 44,981 |
| Promotion | 2,865 | 176,626 | 4,505 | 201,100 |
| Stock based compensation | - | - | - | 44,871 |
| | <u>62,817</u> | <u>373,480</u> | <u>90,822</u> | <u>513,662</u> |
| Unrealized loss on investment (Note 4) | (68,355) | - | (131,591) | - |
| Net loss and comprehensive loss | \$ <u>(131,172)</u> | \$ <u>(373,480)</u> | \$ <u>(222,413)</u> | \$ <u>(513,662)</u> |
| Basic and diluted loss per share | \$ <u>(0.00)</u> | \$ <u>(0.02)</u> | \$ <u>(0.01)</u> | \$ <u>(0.03)</u> |
| Basic and diluted weighted average shares outstanding | <u>26,352,300</u> | <u>18,822,431</u> | <u>26,352,300</u> | <u>18,424,517</u> |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statement of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | Shares of common stock | Share capital | Subscriptions received in advance | Subscriptions receivable | Contributed surplus | Deficit | Total |
|---------------------------------|------------------------------|---------------------|---|-----------------------------|------------------------|-----------------------|---------------------|
| July 31, 2013 | 12,525,500 | \$ 1,288,795 | \$ 97,500 | \$ (37,500) | \$ 106,442 | \$ (742,872) | \$ 712,365 |
| Issued for exercise of warrants | 269,500 | 26,950 | - | 35,000 | - | - | 61,950 |
| Issued for exercise of options | 150,000 | 60,683 | - | - | (23,183) | - | 37,500 |
| Issued for cash | 4,664,500 | 884,555 | (97,500) | (41,180) | 6,825 | - | 752,700 |
| Issued for property | 4,250,000 | 979,500 | - | - | - | - | 979,500 |
| Issued for investments | 4,160,000 | 1,248,000 | - | - | - | - | 1,248,000 |
| Issued as finders' fees | 332,800 | - | - | - | - | - | - |
| Stock based compensation | - | - | - | - | 103,625 | - | 103,625 |
| Net loss | - | - | - | - | - | (1,579,763) | (1,579,763) |
| July 31, 2014 | 26,352,300 | 4,488,483 | - | (43,680) | 193,709 | (2,322,635) | 2,315,877 |
| Net loss | - | - | - | - | - | (222,413) | (222,413) |
| January 31, 2015 | 26,352,300 | \$ 4,488,483 | \$ - | \$ (43,680) | \$ 193,709 | \$ (2,545,048) | \$ 2,093,464 |

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

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| Six Months Ended January 31 | 2015 | 2014 |
|--|-----------------|------------------|
| Cash flows from operating activities | | |
| Net loss | \$ (222,413) | \$ (513,662) |
| Adjustments for: | | |
| Stock based compensation | - | 44,871 |
| Unrealized loss on investment | 131,591 | |
| Changes in non-cash working capital | | |
| Goods and services tax recoverable | (3,600) | (13,467) |
| Advances to related parties | 9,915 | (23,716) |
| Prepaid expenses | 1,705 | (3,000) |
| Accounts payable and accrued liabilities | 58,103 | 67,148 |
| | <u>(24,699)</u> | <u>(441,826)</u> |
| Cash flows from investing activities | | |
| Exploration and evaluation expenditures | - | (260,992) |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock, net of issue costs | - | 661,191 |
| Decrease in cash | (24,699) | (41,627) |
| Cash at beginning of the period | 27,016 | 87,073 |
| Cash at end of the period | \$ <u>2,317</u> | \$ <u>45,446</u> |
| Supplemental disclosure with respect to cash flows | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |
| Non cash investing and financing activities | | |
| Shares issued for exploration and evaluation expenditures | \$ - | \$ 885,500 |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

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. Zadar is a public company with shares listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at Suite 1500 – 888 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 3K4.

Going concern of operations

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred \$2,322,635 of 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. This creates a material uncertainty and raises significant doubt about the Company’s ability to continue as a going concern.

Management is actively targeting sources of additional financing. Although the Company has been successful in past financings, there is no assurance that future financings will be successful. 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.

2. Basis of Preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with those of the previous financial year. The interim financial statements were approved by the Board of Directors on April 1, 2015.

All dollar amounts are presented in Canadian dollars unless otherwise specified.

3. Investment

| | January 31 2015 | July 31 2014 |
|------------------------|--------------------|-------------------|
| Cost | \$ 1,248,000 | \$ 1,248,000 |
| Fair value adjustments | <u>(944,377)</u> | <u>(812,786)</u> |
| Total | <u>\$ 303,623</u> | <u>\$ 435,214</u> |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

3. Investment (continued)

On January 21, 2014, the Company acquired 676,129 shares of Global Resources Investment Trust (“GRIT”) valued at £1.00 each, in consideration for 4,160,000 shares of the Company valued at \$0.30 each. The GRIT shares trade through the facilities of the London Stock Exchange.

On acquisition, the GRIT shares were valued at \$1,248,000. The GRIT shares have been designated as held for trading and are recorded at fair value, with unrealized gains and losses recognized in profit or loss. At January 31, 2015, the fair value of the GRIT shares is \$303,623.

4. Exploration and Evaluation Assets

Whiskey Gap

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, September 30, 2011, June 1, 2012 and November 19, 2014, to acquire up to a 100% interest in certain mineral interests located in Alberta, known as the Whiskey Gap Project.

To earn a 60% interest, the Company must make payments and issue shares as follows:

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

The Company has a further option to acquire the remaining 40% interest in the Property by paying the Optionor \$100,000 and by issuing the Optionor an additional 1,000,000 shares (issued, fair value of \$250,000) on or before September 30, 2015.

Upon earning a 60% interest by making the cash payments, issuing the shares, and incurring the exploration expenditures as set out above and electing not to acquire any further interests after earning 60%, the Company and the Optionor will form a joint venture with standard dilution clauses.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

4. Exploration and Evaluation Assets (continued)

Bullrun Uranium Project

On April 12, 2013, the Company entered into a purchase agreement with an arm's length vendor to acquire a 100% interest in the Bullrun uranium project, located in the southwestern Athabasca Basin in Saskatchewan, Canada.

To earn the 100% interest, the Company must make payments and issue shares as follows:

- a) \$5,000 non-refundable due diligence deposit (paid);
- b) \$10,000 cash payment (paid) and issue 100,000 shares (issued, fair value of \$26,000) by May 20, 2013;
- c) Issue 200,000 shares (issued, fair value of \$28,000) by April 12, 2014;
- d) Issue 250,000 shares by April 12, 2015; and
- e) \$250,000 cash payment by the earlier of April 12, 2019 or upon receipt of a NI 43-101 report indicating resources of a minimum 250,000 lbs of uranium deposits on the property.
- f) The Company is to incur no less than \$50,000 of exploration expenditures on the claims on or before July 2015 and \$100,000 exploration expenditures on or before July 2016.

The Vendor will retain a 1% NSR, of which 0.5% can be purchased by the Company for a cash payment of \$1,000,000 less any amount previously paid by the Company to the Vendor as NSR payments.

A finder's fee comprising \$1,500 in cash and 10,000 shares (fair value of \$3,000) was paid/issued.

Bullrun Blocks D and E

On May 10, 2013, pursuant to a purchase agreement with an unrelated party, the Company acquired a 100% interest in certain mineral claims known as the Bullrun Blocks D and E properties, in exchange for issuance of 250,000 common shares of the Company (issued, fair value of \$75,000), and reservation to the vendor of a 2% net smelter revenue royalty. A finder's fee of 25,000 shares was issued (fair value of \$7,500).

Upper Poulton Lake

On April 10, 2013 and as amended on October 10, 2013 and April 15, 2014, the Company entered into an option agreement with an arm's length vendor (the "Vendor"), whereby the Company can earn a 100% interest in the Upper Poulton Lake Property located in the Athabasca Basin in Saskatchewan, Canada.

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(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

4. Exploration and Evaluation Assets (continued)

Upper Poulton Lake (continued)

To earn a 100% interest, the Company must make payments, issue shares and incur exploration expenditures as follows:

- a) \$10,000 non-refundable due diligence deposit (paid);
- b) \$40,000 cash payment (paid) and issuance of 100,000 shares (issued, fair value of \$28,000) by April 20, 2013;
- c) \$50,000 cash payment (\$32,760 paid) by January 18, 2014;
- d) issuance of 550,000 shares (issued, fair value of \$66,000) by April 10, 2014;
- e) \$75,000 cash payment by April 10, 2015;
- f) \$50,000 cash payment and issuance of 250,000 shares by April 10, 2016;
- g) \$1,000,000 cash payment by April 10, 2017; and
- h) No less than \$2,000,000 in exploration expenditures by April 10, 2017.

The Vendor will retain a 1% NSR, of which 0.5% can be purchased by the Company for a cash payment of \$1,000,000 less any amount previously paid by the Company to the Vendor as NSR payments.

A finder's fee of \$10,000 and 10,000 shares (fair value of \$2,500) was paid/issued.

Pasfield Lake Project

On September 25, 2013, the Company entered into an agreement to acquire a 100% interest in certain mineral claims located in the Athabasca Basin, Saskatchewan, Canada, for consideration comprising \$25,000 in cash (paid) and issuance of 1,745,000 shares of the Company (issued, fair value of \$436,250).

During 2014 a fee of \$50,000 was paid to extend the option period and a finder's fee of \$6,000 was paid in 2013.

The vendor will retain a NSR of 2%, of which 1% may be purchased the Company for \$1,000,000.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

4. Exploration and Evaluation Assets (continued)

Patterson Northeast

The Company entered into an option agreement with Basin Minerals Ltd. ("Basin"), on May 31, 2013 and as amended on July 9, 2013 and February 8, 2014 to acquire a 100% interest in certain mineral interests located in Saskatchewan, known as the Patterson Northeast Property.

To earn a 100% interest, the Company must make payments, issue shares and incur exploration expenditures as follows:

- a) \$5,000 non-refundable due diligence deposit (paid);
- b) \$125,000 cash payment 160 days after signing (paid), of which \$100,000 will be invested in the private placement being undertaken by the Company (subscription received);
- c) \$25,000 cash payment by December 22, 2014;
- d) \$75,000 cash payment by May 1, 2015;
- e) \$150,000 cash payment by November 1, 2015;
- f) \$150,000 cash payment by May 1, 2016;
- g) \$1,000,000 cash payment by November 1, 2016;
- h) \$1,500,000 cash payment by May 9, 2017; and
- i) \$2,000,000 in exploration expenditures by May 31, 2017.

A finder's fee of \$16,400 was paid during the current year.

The vendor will retain a NSR of 1%, of which 0.5% may be purchased by the Company at any time for \$1,000,000, less all amounts previously paid to Basin as NSR payments.

Highrock/Riverlake Projects

On November 21, 2013, the Company entered into an agreement to acquire a 100% interest in certain mineral claims located in the Athabasca Basin, Saskatchewan, Canada known as the Highrock and Riverlake Projects, in exchange for issuance of 330,000 common shares of the Company (issued, fair value of \$82,500).

The vendor will retain a NSR of 2%, of which 1% may be purchased the Company for \$1,000,000.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

4. Exploration and Evaluation Assets (continued)

West Carswell Project

On December 17, 2013, the Company entered into an agreement to acquire a 100% interest in certain mineral claims located in the Athabasca Basin, Saskatchewan, Canada known as the West Carswell Project, in exchange for issuance of 385,000 common shares of the Company (issued, fair value of \$103,950).

The vendor will retain a NSR of 2%, of which 1% may be purchased the Company for \$1,000,000.

Exploration and Evaluation Expenditures

Details of exploration and evaluation expenditures for the six months ended January 31, 2015 are as follows:

| Six Months Ended January 31 | Acquisition Costs 2015 | Exploration Costs 2015 | Total 2015 | Total 2014 |
|---------------------------------------|------------------------------|------------------------------|----------------|---------------|
| Whisky Gap | | | | |
| Acquisition costs - cash | \$ - | \$ - | \$ - | \$ 7,000 |
| Acquisition costs - shares | - | - | - | 250,000 |
| Geological consulting | - | - | - | 2,500 |
| Mineral property costs for the period | - | - | - | 259,500 |
| Balance, beginning of period | <u>620,500</u> | <u>133,628</u> | <u>754,128</u> | 494,628 |
| Balance, end of period | <u>620,500</u> | <u>133,628</u> | <u>754,128</u> | 754,128 |
| BullRun | | | | |
| Balance, beginning of period | <u>73,500</u> | - | <u>73,500</u> | 45,500 |
| Balance, end of period | <u>73,500</u> | - | <u>73,500</u> | 45,500 |
| BullRun Blocks D and E | | | | |
| Balance, beginning of period | <u>82,500</u> | - | <u>82,500</u> | 82,500 |
| Balance, end of period | <u>82,500</u> | - | <u>82,500</u> | 82,500 |
| Upper Poulton Lake | | | | |
| Geophysics | - | - | - | 2,000 |
| Mineral property costs for the period | - | - | - | 2,000 |
| Balance, beginning of period | <u>189,260</u> | <u>2,000</u> | <u>191,260</u> | 90,500 |
| Balance, end of period | <u>189,260</u> | <u>2,000</u> | <u>191,260</u> | 92,500 |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

4. Exploration and Evaluation Assets (continued)

Pasfield Lake

| | | | | |
|---------------------------------------|----------------|---------------|----------------|---------|
| Acquisition costs - cash | - | - | - | 75,000 |
| Acquisition costs - shares | - | - | - | 436,250 |
| Mineral property costs for the period | - | - | - | 511,250 |
| Balance, beginning of period | <u>517,250</u> | <u>10,158</u> | <u>527,408</u> | 6,000 |
| Balance, end of period | <u>517,250</u> | <u>10,158</u> | <u>527,408</u> | 517,250 |

Patterson Northeast

| | | | | |
|---------------------------------------|----------------|---------------|----------------|---------|
| Acquisition costs - cash | - | - | - | 125,000 |
| Equipment | - | - | - | 9,985 |
| Geophysics | - | - | - | 28,827 |
| Helicopter | - | - | - | 11,234 |
| Travel and living costs | - | - | - | 6,446 |
| Mineral property costs for the period | - | - | - | 181,492 |
| Balance, beginning of period | <u>146,400</u> | <u>74,768</u> | <u>221,168</u> | 5,000 |
| Balance, end of period | <u>146,400</u> | <u>74,768</u> | <u>221,168</u> | 186,492 |

Highrock/Riverlake

| | | | | |
|---------------------------------------|---------------|---|---------------|--------|
| Acquisition costs - shares | - | - | - | 82,500 |
| Mineral property costs for the period | - | - | - | 82,500 |
| Balance, beginning of period | <u>82,500</u> | - | <u>82,500</u> | - |
| Balance, end of period | <u>82,500</u> | - | <u>82,500</u> | 82,500 |

Stony Road

| | | | | |
|---------------------------------------|---|---|---|--------|
| Acquisition costs - shares | - | - | - | 12,800 |
| Mineral property costs for the period | - | - | - | 12,800 |
| Balance, beginning of period | - | - | - | - |
| Balance, end of period | - | - | - | 12,800 |

West Carswell

| | | | | |
|---------------------------------------|----------------|---|----------------|---------|
| Acquisition costs - shares | - | - | - | 103,950 |
| Mineral property costs for the period | - | - | - | 103,950 |
| Balance, beginning of period | <u>103,950</u> | - | <u>103,950</u> | - |
| Balance, end of period | <u>103,950</u> | - | <u>103,950</u> | 103,950 |

| | | | | |
|--------------|---------------------|-------------------|---------------------|---------------------|
| Total | <u>\$ 1,815,860</u> | <u>\$ 220,554</u> | <u>\$ 2,036,414</u> | <u>\$ 1,877,620</u> |
|--------------|---------------------|-------------------|---------------------|---------------------|

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

5. Share Capital

(a) Authorized share capital

Unlimited common shares without par value

(b) Escrow shares

Currently 834,150 common shares are held in escrow.

(c) 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, 2014 | 1,525,000 | 0.25 |
| Granted | - | 0.25 |
| Exercised | - | 0.25 |
| Options outstanding at January 31, 2015 | 1,525,000 | 0.25 |

| Expiry date | Remaining contractual life (years) | Options outstanding and exercisable | Exercise Price \$ |
|--------------------|---------------------------------------|--|----------------------|
| April 18, 2015 | 115.38 | 225,000 | 0.25 |
| May 30, 2017 | 117.49 | 600,000 | 0.25 |
| September 18, 2015 | 115.79 | 200,000 | 0.25 |
| October 22, 2015 | 115.89 | 100,000 | 0.25 |
| November 18, 2015 | 115.96 | 200,000 | 0.25 |
| November 27, 2015 | 115.99 | 200,000 | 0.25 |
| | | 1,525,000 | 0.25 |

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Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

5. Share Capital (continued)

The Company has granted options to employees, consultants, directors and officers of the Company as follows:

| Grant Date | April 18 2013 | September 18 2013 | October 22 2013 | November 18 2013 | November 27 2013 |
|---------------------------------|------------------|----------------------|--------------------|---------------------|---------------------|
| Number of options | 375,000 | 200,000 | 100,000 | 200,000 | 200,000 |
| Exercise price | \$ 0.25 | \$ 0.25 | \$ 0.25 | \$ 0.25 | \$ 0.25 |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% |
| Expected stock price volatility | 100% | 100% | 100% | 100% | 100% |
| Risk-free interest rate | 0.97% | 0.97% | 0.97% | 1.09% | 1.07% |
| Expected life of options | 2 years | 2 years | 2 years | 2 years | 2 years |
| Fair value | \$ 57,972 | \$ 32,502 | \$ 12,369 | \$ 29,380 | \$ 29,374 |

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.

(d) Share purchase warrants

As of January 31, 2015, the Company has 176,000 Broker Warrants outstanding, which are exercisable at a price of \$0.25 per share, and which expire on May 28, 2015.

| | Number of warrants | Weighted average exercise price \$ |
|---|-----------------------|--|
| Warrants outstanding at July 31, 2013 | 445,500 | 0.16 |
| Issued in private placement | 4,664,500 | 0.30 |
| Finders' warrants issued | 52,500 | 0.30 |
| Exercised | (269,500) | 0.10 |
| Warrants outstanding at July 31, 2014 and January 31, 2015 | 4,893,000 | 0.30 |

| Expiry date | Number of warrants | Exercise Price \$ |
|------------------|-----------------------|----------------------|
| May 28, 2015 | 176,000 | 0.25 |
| December 9, 2014 | 4,717,000 | 0.30 |
| | 4,893,000 | 0.30 |

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Notes to the Financial Statements

(Unaudited – Prepared by Management)

January 31, 2015

6. Financial Instruments and Risk Management

Fair Values

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted prices that are directly or indirectly observable for the asset or liability; and

Level 3 – Inputs that are not based on observable market data.

Investments are carried at level 1 fair value measurement.

The carrying values of cash, due from/to related parties, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of these instruments.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and due from related parties are subject to credit risk. The Company manages credit risk by placing cash with major Canadian financial institutions. Management believes that credit risk related to these amounts is nominal.

Liquidity risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's approach to managing liquidity risk is to try to have sufficient liquidity to meet liabilities when due. As at January 31, 2015, the Company had a cash balance of \$2,317 to settle current liabilities of \$324,249. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. To maintain liquidity, the Company is currently investigating financing opportunities and recently completed a share exchange agreement (Note 3) and private placement. Management intends to continue to finance its activities by raising funds by private equity investments. While the Company has been successful in obtaining its required funding in the past there is no assurance that this financing will be extended or that any additional future financing will be available. The Company is exposed to risk that it will encounter difficulty in satisfying its liabilities. The Company may mitigate this risk by selling its investment to cover its current liabilities.

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6. Financial Instruments and Risk Management (continued)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is not material.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The functional currency of the Company is the Canadian dollar. The Company does not conduct business outside of Canada. However, the Company holds an investment that is denominated in British Pounds. As such, it is subject to fluctuations in the exchange rates for the Canadian dollar and British Pound. As at January 31, 2015, the Company has a held for trading investment with a fair value of \$303,623. Each 10% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately \$30,000.

Other price risk

Other price risk is the risk that changes in market prices including commodity or equity prices will have an effect on the fair value or future cash flows associated with financial instruments. The equity price risk associated with the Company's current held for trading investment primarily relates to the change in the market prices of the investments in the portfolio. As at January 31, 2015, the Company owns 676,129 GRIT common shares with each common share valued at \$0.45. Management believes there is price risk related to this investment.

7. Capital Management

The Company includes cash and equity, comprising issued common shares, contributed surplus and deficit in the definition of capital.

The Company manages its capital to ensure it will be able to continue as a going concern largely through equity financing. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The Company is not exposed to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended January 31, 2015.

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8. Related Party Transactions

Certain of the Company's officers and directors render services to the Company through companies in which they are an officer or director.

| <u>Party</u> | <u>Transactions</u> |
|---------------------------------------|---|
| 622738 BC Ltd. | Consulting and management fees |
| Bua Capital Management Ltd. | Finder's fee, management fees and stock based compensation |
| Paul Gray Geological Consultants Ltd. | Management fees |
| 1177129 Alberta Ltd. | Consulting and management fees and stock based compensation |
| GRW Inc. | Consulting and management fees |

The Company incurred the following fees and expenses in the normal course of operations with related parties.

| <u>Six months ended Ended January 31</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Management fees | \$ 15,000 | \$ 27,600 |
| Office and administration fees | <u>24,600</u> | <u>19,100</u> |
| | <u>\$ 39,600</u> | <u>\$ 46,700</u> |

Accounts payable and accrued liabilities as of January 31, 2015 include \$38,077 owing to companies controlled by officers of the Company for services rendered.

Amounts due from related parties comprise \$32,045 in advances to companies controlled by officers and directors. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

Amounts due to related parties comprise \$39,811 in advances from a company with an officer in common.

9. Subsequent Events

Management has evaluated subsequent events through April 1, 2015, and has determined that there are no subsequent events to be disclosed.