Zadar Ventures Ltd.
(an Exploration Stage Enterprise)
Financial Statements
(Expressed in Canadian Dollars)

Years Ended July 31, 2016 and 2015

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WOLRIGE MAHON

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zadar Ventures Ltd.

We have audited the accompanying financial statements of Zadar Ventures Ltd., which comprise the statements of financial position as at July 31, 2016 and 2015, and the statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zadar Ventures Ltd. as at July 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that Zadar Ventures Ltd. has incurred $6,119,473 of losses since its inception. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about Zadar Ventures Ltd.'s ability to continue as a going concern.

WOLRIGE MAHON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

December 1, 2016
Vancouver, B.C.

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Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Financial Position

(Expressed in Canadian Dollars)

As at July 31		**2016**		2015
Assets				
Current				
Cash	**$**	**315,392**	$	7,495
Amounts receivable (Note 10)		**24,580**		-
Investment (Note 4)		**67,728**		175,827
Goods and services tax recoverable		**11,510**		36,685
Due from related parties (Note 9)		**139**		29,206
Prepaid expenses		**28,388**		3,000
		447,737		252,213
Exploration advances		**-**		6,154
Exploration and evaluation assets (Note 5)		**440,303**		40,000
	$	**888,040**	$	298,367
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 9)	**$**	**278,337**	$	252,579
Loans payable (Note 11)		**89,978**		-
Due to related parties (Note 9)		**14,000**		112,721
Subscriptions received in advance (Note 6)		**295,000**		20,100
		677,315		385,400
Shareholders' Equity (Deficiency)				
Share capital (Note 6)		**5,722,026**		4,488,483
Subscriptions receivable (Note 6)		**(32,440)**		(31,840)
Contributed surplus		**640,612**		193,709
Deficit		**(6,119,473)**		(4,737,385)
		210,725		(87,033)
	$	**888,040**	$	298,367

Nature of operations and going concern (Note 1)

Subsequent events (Note 13)

On behalf of the board:

____________________________, Director

____________________________, Director

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

For the Year Ended July 31	**2016**	2015
Administrative expenses		
Accounting and audit	**$ 11,155**	$ 27,800
Bank charges and interest	**1,909**	316
Consulting (Note 9)	**417,440**	18,976
Legal	**30,029**	854
Listing and filing fees	**69,337**	16,011
Management fees (Note 9)	**62,800**	30,000
Office and sundry	**77,300**	56,443
Promotion	**204,019**	8,549
Stock-based compensation (Notes 6(c) and 9)	**400,000**	-
	1,273,989	158,949
Write-off of exploration and evaluation assets (Note 5)	**-**	(1,996,414)
Unrealized loss on investment (Note 4)	**(108,099)**	(259,387)
Net loss and comprehensive loss	**$ (1,382,088)**	$ (2,414,750)
Basic and diluted loss per share	**$ (0.03)**	$ (0.09)
Basic and diluted weighted average shares outstanding	**45,034,434**	26,352,300

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Shares of common stock		Share capital		Subscriptions receivable		Contributed surplus		Deficit		Total
July 31, 2014	**26,352,300**	**$**	**4,488,483**	**$**	**(43,680)**	**$**	**193,709**	**$**	**(2,322,635)**	**$**	**2,315,877**
Issued for cash	-		-		11,840		-		-		11,840
Net loss	-		-		-		-		(2,414,750)		(2,414,750)
July 31, 2015	**26,352,300**	**$**	**4,488,483**	**$**	**(31,840)**	**$**	**193,709**	**$**	**(4,737,385)**	**$**	**(87,033)**
Issued for cash	33,498,215		934,875		(600)		-		-		934,275
Share issue costs	-		(65,383)		-		46,903		-		(18,480)
Issued for property	1,000,000		80,000		-		-		-		80,000
Exercise of warrants	5,431,021		284,051		-		-		-		284,051
Stock based compensation	-		-		-		400,000		-		400,000
Net loss	-		-		-		-		(1,382,088)		(1,382,088)
July 31, 2016	**66,281,536**	**$**	**5,722,026**	**$**	**(32,440)**	**$**	**640,612**	**$**	**(6,119,473)**	**$**	**210,725**

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Year Ended July 31		2016		2015
Cash flows from operating activities				
Net loss	$	(1,382,088)	$	(2,414,750)
Adjustments for:				
Stock-based compensation		400,000		-
Unrealized loss on investment (Note 4)		108,099		259,387
Write-off of exploration and evaluation assets (Note 5)		-		1,996,414
Changes in non-cash working capital				
Goods and services tax recoverable		25,175		(6,400)
Prepaid expenses		(25,388)		1,980
Accounts payable and accrued liabilities		124,285		26,244
		(749,917)		(137,125)
Cash flows from investing activities				
Exploration and evaluation expenditures		(320,303)		-
Exploration advances		6,154		-
		(314,149)		-
Cash flows from financing activities				
Proceeds from issuance of common stock, net of issue costs		1,095,745		-
Advances from related parties		1,318		85,664
Subscriptions received in advance		274,900		31,940
		1,371,963		117,604
Decrease in cash		307,897		(19,521)
Cash at beginning of the year		7,495		27,016
Cash at end of the year	$	315,392	$	7,495

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	$	80,000	$	-
Shares issued to settle accounts payable	$	25,301	$	-
Share issue costs of broker warrants	$	46,903	$	-

1. Nature of Operations and Going Concern

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 908 – 510 Burrard Street, Vancouver, B.C. V6C 3A8.

Going concern of operations
These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred $6,119,473 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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies presented in Note 3 were consistently applied to all periods presented. The Board of Directors approved the financial statements on November 30, 2016.

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the financial statements requires estimates and assumptions that affect the amounts reported in the financial statements. Significant areas where judgment is applied include realization of deferred income taxes, assessment of impairment on exploration and evaluation assets and assessment of the Company's ability to continue as a going concern.

Significant estimates include the carrying value and recoverability of exploration and evaluation expenditures, inputs used in accounting for stock-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.

3. Significant Accounting Policies (continued)

(b) Exploration and evaluation assets

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 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 expenditures, 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 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.

Exploration and evaluation assets are classified as intangible assets.

(c) 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.

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

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(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. Instruments classified under this category, including derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the statement of financial position at fair value. Unrealized gains and losses are recorded as part of other gains (losses) in earnings. Realized gains or losses are recorded in profit or loss in the period in which the Company disposes of the instrument. Fair values are determined using valuation techniques, using assumptions based on market conditions existing at the statement of financial position date. The Company's investment is classified in this category.

(ii) Available-for-sale assets: Available-for-sale assets 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 has the intention and the ability 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 using the effective interest method less a provision for impairment. The effective interest method is a method used to calculate the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset, or where appropriate, a shorter period. 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. Loans and receivables are initially measured at fair value including transaction costs, and subsequently carried at amortized cost using the effective interest method less a provision for impairment. The Company has classified cash, amounts receivable and due from related parties as loans and receivables.

(v) Financial liabilities at amortized cost: Financial instruments held by the Company and classified in this category include accounts payable and accrued liabilities, loans payable and due to related parties. They are initially measured at fair value including transaction costs, and subsequently carried at amortized cost using the effective interest method.

Impairment on Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset of group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred subsequent to the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. Significant Accounting Policies (continued)

(d) Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance 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. Once expenses are incurred, the Company will recognize the deferred income tax liability.

(e) Stock-based Compensation

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value of the awards as the grant date. The fair value of stock options granted to non-employees is measured based on the fair value of the goods and services received, unless that fair value cannot be estimated reliably, in which case the fair value is determined with reference to the fair value of the instruments granted. The fair value is re-measured over the vesting period at each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. The fair value of the options to employees 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 using the graded method, with an offsetting credit to contributed surplus, over the vesting periods.

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. 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.

Fair value of instruments awarded are reflected in contributed surplus.

(f) 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.

3. Significant Accounting Policies (continued)

(g) 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 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 statement of financial position 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.

(h) Share issue costs

Share issue costs that are directly attributable to issuing new shares are deducted from equity.

Costs that are not incremental and directly attributable to issuing new shares, are recorded as an expense in profit or loss.

When units are issued, which include shares and warrants, the warrants are valued using the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price on the issuance date, and the balance, if any, to the reserve for the warrants.

Fair value of instruments awarded are reflected in contributed surplus.

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for July 31, 2016 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:

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

(i) New standards and interpretations not yet adopted (continued)

IFRS 9 – Financial Instruments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after January 1, 2018. 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. The impact of the adoption of this standard is yet to be assessed.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles of reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The Standard replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations. It is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Standard is not expected to have an impact on the Company in its present form.

4. Investment

July 31		**2016**		2015
Cost	**$**	**1,248,000**	$	1,248,000
Fair value adjustment		**(1,180,272)**		(1,072,173)
Fair value at year end	**$**	**67,728**	$	175,827

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.

4. Investment (continued)

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 July 31, 2016, the fair value of the GRIT shares is $67,728 (2015 - $175,827).

The fair value of GRIT has been determined by reference to published price quotations in an active market.

While the Company will seek to maximize the proceeds it receives from the sale of its GRIT Shares on the London Stock Exchange, there is no assurance as to the timing of disposition or the amount that will be realized. Funds realized from the sale of the GRIT Shares will be used by the Company for working capital and general corporate purposes.

5. 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, November 19, 2014 and November 28, 2015, 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, which was extended by the Optionor until September 1, 2017.

5. Exploration and Evaluation Assets (continued)

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.

In 2015, management wrote down the costs accumulated on the property to $10,000 as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated a write down at the time in line with the Company's accounting policy for exploration and evaluation assets.

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% net smelter revenue ("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.

In 2015, the Company returned the Bullrun property to the vendor without penalty and the capitalized costs of $73,500 have been written off.

5. Exploration and Evaluation Assets (continued)

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% NSR royalty. A finder's fee of 25,000 shares was issued (fair value of $7,500).

In 2015, the Company abandoned Bullrun Blocks D and E and wrote off the capitalized costs of $82,500.

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.

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.

In 2015, the Company allowed its interest in the Upper Poulton Lake property to lapse and is negotiating a settlement with the Vendor, and the capitalized costs of $191,260 have been written off.

5. Exploration and Evaluation Assets (continued)

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.

In 2015, management wrote down the costs accumulated on the Pasfield Lake property to $10,000 as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated a write down at the time in line with the Company's accounting policy for exploration and evaluation assets.

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.

In 2015, the Company has abandoned the Patterson Northeast property and has returned it without penalty to Basin and the capitalized costs of $221,168 have been written off.

5. Exploration and Evaluation Assets (continued)

Highrock / Riverlake Project

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.

At July 31, 2015, management has decided to write the costs accumulated on the Riverlake property down to $10,000 as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated a write down at the time in line with the Company's accounting policy for exploration and evaluation assets.

In 2015, the Company allowed the Highrock claims to lapse. Riverlake claims remain in good standing as at July 31, 2016.

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.

In 2015, management wrote down the costs accumulated on the West Carswell property to $10,000 as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated a write down at the time in line with the Company's accounting policy for exploration and evaluation assets.

5. Exploration and Evaluation Assets (continued)

WSP/CR Claims

On February 25, 2016 the Company entered into an option agreement with GeoXplor Corp. ("GeoXplor") to acquire a 100% interest in two prospective lithium projects in Nevada, USA, known as the WSP and CR claims.

In order to exercise the option to earn the 100% interest, Zadar must issue 5,000,000 of its common shares and pay US$450,000 in cash payments, in addition to US$21,000 non-refundable deposit (paid) to GeoXplor as follows:

- US$25,000 on the effective date (paid);
- 1,000,000 common shares on TSX.V approval (issued) (Note 6);
- US$50,000 on or before March 25, 2016 (paid);
- 1,000,000 common shares on each of the first four anniversaries of the effective date;
- US$75,000 on each of the first and second anniversaries of the effective date; and
- US$100,000 on each of the third and fourth anniversaries of the effective date.

Zadar will be required to make exploration expenditures of US$200,000 in year one, a further US$300,000 in year two, a further US$1,000,000 in year three and a further US$1,000,000 in year four. On the fifth anniversary of the Effective Date, and annually thereafter, Zadar shall pay minimum advance annual royalties payments of US$100,000.

Upon completion of an inferred resource calculation that confirms either of the properties having a minimum presence of 100,000 tons lithium carbonate equivalent grading at no lower than 28 parts per million lithium grade average, Zadar shall pay GeoXplor US$1,000,000 in cash or Zadar Shares, or a combination thereof at Zadar's election.

Upon Completion of an Economic Study, as defined in the option agreement, on either of the properties on or before the 10th anniversary of the effective date, Zadar shall pay to GeoXplor US$2,000,000 in cash or Zadar Shares, or a combination thereof at GeoXplor's election.

GeoXplor will maintain 3% gross value royalty return of which 2% can be purchased by Zadar at any time for US$5,000,000.

(Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

Exploration and Evaluation Expenditures

Details of exploration and evaluation expenditures for the years ended July 31, 2016 and 2015 are as follows:

	Acquisition Costs 2016	Exploration Costs 2016	Total 2016	Total 2015
Whisky Gap				
Acquisition costs - cash	$ 8,000	$ -	$ 8,000	$ -
Mineral property costs for the year	8,000	-	8,000	-
Balance, beginning of year	10,000	-	10,000	754,128
Costs written off during the year	-	-	-	(744,128)
Balance, end of year	18,000	-	18,000	10,000
Pasfield Lake				
Balance, beginning of year	10,000	-	10,000	527,408
Costs written off during the year	-	-	-	(517,408)
Balance, end of year	10,000	-	10,000	10,000
Highrock / Riverlake				
Balance, beginning of year	10,000	-	10,000	82,500
Costs written off during the year	-	-	-	(72,500)
Balance, end of year	10,000	-	10,000	10,000
West Carswell				
Balance, beginning of year	10,000	-	10,000	103,950
Costs written off during the year	-	-	-	(93,950)
Balance, end of year	10,000	-	10,000	10,000
WSP/CR Claims				
Acquisition costs - cash	158,069	-	158,069	-
Acquisition costs - shares	80,000	-	80,000	-
Disbursements	-	21,635	21,635	-
Geological consulting	-	10,955	10,955	-
Gravity survey	-	111,185	111,185	-
Permit	-	10,459	10,459	-
Mineral property costs for the year	238,069	154,234	392,303	-
Balance, beginning of year	-	-	-	-
Balance, end of year	238,069	154,234	392,303	-
Total	$ 286,069	$ 154,234	$ 440,303	$ 40,000

6. Share Capital

(a) Authorized share capital

Unlimited common shares without par value

(b) Share issuances

On December 22, 2015, the Company completed a private placement of 23,500,000 units with each unit comprising one common share in the capital of the Company and one share purchase warrant, at a price of $0.01 per unit for gross proceeds of $235,000. Each warrant entitles the holder to purchase a common share of the Company at a price of $0.05 for a period of three years. All the gross proceeds were allocated to the fair value of the shares issued.

On March 22, 2016, the Company issued 1,000,000 common shares in the capital of the Company valued at $80,000 in connection with the WSP/CR Claims (Note 5).

On April 22, 2016, the Company completed a private placement of 9,998,215 units with each unit comprising one common share in the capital of the Company and one share purchase warrant, at a price of $0.07 per unit for gross proceeds of $699,875. Each warrant entitles the holder to purchase a common share of the Company at a price of $0.15 for a period of one year. All the gross proceeds were allocated to the fair value of the shares issued. Finders' fees of $18,480 were paid and 246,857 finders' warrants, with a fair value of $46,903, were issued in connection with the placement, with each warrant entitling the holder to purchase a common share of the Company at a price of $0.15 for a period of one year.

In April 2016 and May 2016, the Company issued a total of 4,800,000 common shares in the capital of the Company for gross proceeds of $240,000 upon exercise of share purchase warrants at a price of $0.05 per share.

In May 2016, the Company issued a total of 125,000 common shares in the capital of the Company for gross proceeds of $18,750 upon exercise of share purchase warrants at a price of $0.15 per share.

In May 2016 and July 2016, the Company issued a total of 506,021 common shares in the capital of the Company upon exercise of share purchase warrants at a price of $0.05 per share. The proceeds of $25,301 settled accounts payable to a vendor of the Company.

(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 and vest 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 preceeding 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. Options awarded under the Plan are equity settled.

(Expressed in Canadian Dollars)

6. Share Capital (continued)

(c) Share purchase options (continued)

	Number of options	Weighted average exercise price $
Options outstanding at July 31, 2014	1,525,000	0.25
Expired	(225,000)	0.25
Options outstanding at July 31, 2015	1,300,000	0.25
Granted	2,500,000	0.15
Expired	(700,000)	0.25
Options outstanding and exercisable at July 31, 2016	3,100,000	0.17

Expiry date	Remaining contractual life (years)	Options outstanding and exercisable	Exercise Price $
May 30, 2017	0.83	600,000	0.25
April 19, 2018	1.72	2,500,000	0.15
		3,100,000	0.17

During 2016, the Company has granted options to employees, consultants, directors and officers of the Company as follows:

Grant Date	April 19, 2016
Number of options	2,500,000
Exercise price	$ 0.15
Expected dividend yield	0%
Expected stock price volatility	180%
Risk-free interest rate	0.60%
Expected life of options	2 years
Fair value	$ 400,000

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.

(Expressed in Canadian Dollars)

6. Share Capital (continued)

(d) Share purchase warrants

	Number of warrants	Weighted average exercise price $
Warrants outstanding at July 31, 2014	4,893,000	0.30
Expired	(4,893,000)	0.30
Warrants outstanding at July 31, 2015	-	-
Issued in private placement	33,498,215	0.08
Finders' warrants issued	246,857	0.15
Exercised	(5,431,021)	0.05
Warrants outstanding at July 31, 2016	28,314,051	0.08

Expiry date	Number of warrants	Exercise Price $
December 23, 2018	18,193,979	0.05
April 22, 2017	10,120,072	0.15
	28,314,051	0.08

On April 22, 2016, 246,857 finders' warrants were issued with an estimated fair value of $46,903, which was determined using the Black Scholes option pricing model, with the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	268%
Risk-free interest rate	0.59%
Expected life	1 year

(e) Subscriptions received in advance

As at July 31, 2016, the Company has $295,000 (2015 - $20,100) of subscriptions received in advance related to a total of 2,950,000 (2015 – 2,010,000) units and/or common shares not yet issued.

(f) Subscriptions receivable

As at July 31, 2016, the Company has $32,440 (2015 - $31,840) of subscriptions receivable related to 550,000 (2015 – 50,000) units issued.

7. 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, amounts receivable, due from/to related parties, accounts payable and accrued liabilities and loans payable 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, amounts receivable and due from related parties are subject to credit risk. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's exposure to credit risk from amounts due from related parties is limited as management determines the parties to be financially sound. 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 July 31, 2016, the Company had a cash balance of $315,392 (2015 - $7,495) to settle current liabilities of $677,315 (2015 - $385,400). 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. Management intends to continue to finance its activities by raising funds by private equity placements. 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.

7. 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 or 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 rates.

The functional currency of the Company is the Canadian dollar. 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 July 31, 2016, the Company has a held for trading investment with a fair value of $67,728. Each 10% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately $6,700.

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 GRIT common shares. As at July 31, 2016, the Company owns 676,129 GRIT common shares with each common share valued at £0.06 or $0.10. Management believes there is price risk related to this investment.

8. Capital Management

The Company includes 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, the 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 year ended July 31, 2016.

(Expressed in Canadian Dollars)

9. 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.

Party	Transactions
622738 BC Ltd.	Management fees
0868143 BC Ltd.	Consulting fees
Paul Gray Geological Consultants Ltd.	Consulting fees
GRW Inc.	Management fees

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

Year Ended July 31		2016		2015
Consulting fees	$	45,512	$	1,500
Management fees		23,800		30,000
Office and administration fees		-		49,200
Stock-based compensation		176,000		-
	$	245,312	$	80,700

Accounts payable and accrued liabilities as of July 31, 2016 include $33,441 (2015 - $40,856) owing to companies controlled by officers of the Company for services rendered.

Amounts due from related parties comprise $139 (2015 - $29,206) 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 $14,000 (2015 - $112,721) in advances from companies with officers in common.

10. Amounts receivable

Amounts receivable as at July 31, 2016 are due from former officers and/or former directors of the Company and companies controlled by them. The balances as at July 31, 2016 are non-interest bearing, unsecured and due on demand.

11. Loans payable

Loans payable as at July 31, 2016 are due to former officers and/or former directors of the Company and companies controlled by them. The balances as at July 31, 2016 are non-interest bearing, unsecured and due on demand.

(Expressed in Canadian Dollars)

12. Income Taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

Year Ended July 31		2016		2015
Loss before income taxes	**$**	**(1,382,088)**	$	(2,414,750)
Basic statutory tax rate		**26.00%**		26.00%
Income tax recovery based on statutory rate	**$**	**(359,343)**	$	(627,835)
Expenses not deductible for tax purposes		**104,199**		34,203
Unrecognized tax assets		**255,144**		593,632
	$	**-**	$	-

The components of deferred income taxes are as follows:

July 31		2016		2015
Deferred income tax assets:				
Non-capital losses	**$**	**652,702**	$	411,397
Exploration and evaluation assets		**494,576**		494,576
Share issuance costs		**29,011**		29,225
Investments		**153,435**		139,382
Unrecognized tax assets		**(1,329,724)**		(1,074,580)
	$	**-**	$	-

The Company has non-capital losses carried forward of $2,510,391 that may be available for tax purposes. The losses expire as follows:

2029	$	71
2030		11,910
2031		83,443
2032		241,650
2033		355,132
2034		686,692
2035		210,224
2036		921,269
	$	2,510,391

The deferred income tax assets associated with the losses carried forward and certain other deductible temporary differences have not been recognized as their utilization is not considered more likely than not as at July 31, 2016.

13. Subsequent events

On August 3, 2016, the Company closed a non-brokered private placement and issued 5,000,000 units at a price of $0.10 per unit for gross proceeds of $500,000. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.25 per share for a period of one year. The Company paid cash finder's fees of $26,000 and issued 260,000 finder's warrants in connection with this private placement. Each finder's warrant entitles the holder thereof to acquire one common share at an exercise price of $0.25 for a period of one year.

On August 18, 2016, the Company issued 100,000 common shares in the capital of the Company for gross proceeds of $15,000 upon exercise of share purchase warrants at a price of $0.15 per share.

Between August 18, 2016 and October 25, 2016, the Company issued a total of 3,100,000 common shares in the capital of the Company for gross proceeds of $155,000 upon exercise of share purchase warrants at a price of $0.05 per share.