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

Years Ended July 31, 2018 and 2017

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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, 2018 and 2017, 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zadar Ventures Ltd. as at July 31, 2018 and 2017, 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 the material uncertainties that may cast significant doubt about the ability of Zadar Ventures Ltd. to continue as a going concern.

Wolrige Mahon Collins Barrow LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

November 27, 2018
Vancouver, B.C

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Financial Position

(Expressed in Canadian Dollars)

		As at July 31, 2018		As at July 31, 2017
Assets				
Current				
Cash	**$**	**206,831**	$	456,742
Amounts receivable (Note 4)		**90,040**		70,374
Investment (Note 5)		**98,212**		135,370
Goods and services tax recoverable		**46,076**		30,678
Due from related parties (Note 10)		**1,533**		56,000
Prepaid expenses		**15,394**		7,833
		458,086		756,997
Exploration and evaluation assets (Note 6)		**28,000**		788,624
	$	**486,086**	$	1,545,621
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**51,019**	$	216,591
Loans payable (Note 11)		**85,528**		81,818
Due to related parties (Note 10)		**12,653**		1,050
Subscriptions received in advance		**-**		50,000
		149,200		349,459
Shareholders' Equity				
Share capital (Note 7)		**8,041,054**		7,475,686
Subscriptions receivable (Note 7)		**(10,000)**		(3,100)
Contributed surplus		**672,064**		672,064
Deficit		**(8,366,232)**		(6,948,488)
		336,886		1,196,162
	$	**486,086**	$	1,545,621

Nature of operations and going concern (Note 1)
Commitments (Note 14)
Subsequent event (Note 15)

On behalf of the board:

"Mark Tommasi" ___________________________, Director

"Yana Bobrovskaya" ______________________, Director

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

For the Year Ended July 31,		**2018**		2017
Administrative expenses				
Accounting and audit	**$**	**39,355**	$	32,080
Bank charges and interest		**1,119**		4,091
Consulting (Note 10)		**176,656**		336,727
General exploration costs		**-**		67,782
Legal		**4,994**		64,733
Listing and filing fees		**36,672**		47,480
Management fees (Note 10)		**106,500**		114,500
Office and sundry		**106,738**		96,909
Promotion and travel		**55,532**		153,782
Write-down of exploration and evaluation assets		**883,677**		26,154
		(1,411,243)		(944,238)
Interest income		**1,317**		-
Reversal of accounts payable		**-**		76,921
Unrealized gain (loss) on investment (Note 5)		**(37,158)**		67,642
Recovery (write-off) of subscriptions receivable		**29,340**		(29,340)
Net loss and comprehensive loss	**$**	**(1,417,744)**	$	(829,015)
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.01)
Basic and diluted weighted average shares outstanding		**93,913,900**		79,278,111

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Shares of common stock	Share capital	Subscriptions receivable	Contributed surplus	Deficit	Total
July 31, 2016	**66,281,536**	**$ 5,722,026**	**$ (32,440)**	**$ 640,612**	**$ (6,119,473)**	**$ 210,725**
Issued for cash	15,536,800	1,553,680	-	-	-	1,553,680
Share issue costs	-	(162,820)	-	31,452	-	(131,368)
Issued for property	1,000,000	110,000	-	-	-	110,000
Exercise of warrants	4,856,000	252,800	-	-	-	252,800
Write-off of subscriptions receivable	-	-	29,340	-	-	29,340
Net loss	-	-	-	-	(829,015)	(829,015)
July 31, 2017	**87,674,336**	**7,475,686**	**(3,100)**	**672,064**	**(6,948,488)**	**1,196,162**
Issued for debt	1,317,000	105,368	-	-	-	105,368
Issued for property	1,000,000	50,000	-	-	-	50,000
Exercise of warrants	8,200,000	410,000	(10,000)	-	-	400,000
Recovery of subscriptions receivable	-	-	(29,340)	-	-	(29,340)
Settlement of debt	-	-	32,440	-	-	32,440
Net loss	-	-	-	-	(1,417,744)	(1,417,744)
July 31, 2018	**98,191,336**	**$ 8,041,054**	**$ (10,000)**	**$ 672,064**	**$ (8,366,232)**	**$ 336,886**

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Year Ended July 31,	**2018**	2017
Cash flows used in operating activities		
Net loss	**$ (1,417,744)**	$ (829,015)
Adjustments for:		
Reversal of accounts payable	**-**	(76,921)
Unrealized (gain) loss on investment	**37,158**	(67,642)
Write-off (recovery) of subscriptions receivable	**(29,340)**	29,340
Write-down of exploration and evaluation assets	**883,677**	26,154
Changes in non-cash working capital		
Goods and services tax recoverable	**(15,398)**	(19,168)
Prepaid expenses	**(7,561)**	20,555
Accounts payable and accrued liabilities	**(27,764)**	15,175
	(576,972)	(901,522)
Cash flows used in investing activities		
Exploration and evaluation expenditures	**(73,053)**	(264,475)
Amounts receivable	**(19,666)**	(45,794)
	(92,719)	(310,269)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issue costs	**335,000**	1,430,112
Advances (to) from related parties	**66,070**	(68,811)
Subscriptions received in advance	**15,000**	-
Loans received (repaid)	**3,710**	(8,160)
	419,780	1,353,141
Increase (decrease) in cash	**(249,911)**	141,350
Cash at beginning of the year	**456,742**	315,392
Cash at end of the year	**$ 206,831**	$ 456,742

Supplemental disclosure with respect to cash flows		
Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -
Non cash investing and financing activities		
Shares issued for accounts payable	**$ 105,368**	$ -
Settlement of debt against subscriptions receivable	**$ 32,440**	$ -
Fair value of finders warrants issued	**$ -**	$ 31,452
Shares issued for exploration and evaluation expenditures	**$ 50,000**	$ 110,000

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 (“TSX-V”). 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 $8,366,232 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 27th, 2018.

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

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the financial statements, in conformity with IFRS 1, 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 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 profit 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.

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:

(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 embedded 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 in profit or loss. 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.

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(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 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 recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The Company has classified 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. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured 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 or 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) Stock-based Compensation

The Company accounts for stock options granted to directors, officers, employees and non-employees at fair value. 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, and is re-measured at the earlier of 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. Charges for options that are forfeited before vesting are reversed from Contributed Surplus.

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

(e) 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.

(f) Income Taxes

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

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

3. Significant Accounting Policies (continued)

(g) Income Taxes (continued)

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 relate to stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in profit or loss.

Costs that relate to both share issuance and listing are allocated based on the proportion of new shares issued to the total number of shares listed.

When units are issued, which include shares and warrants, the warrants are valued using the residual value method.

(i) New Standards and Interpretations not yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for July 31, 2018 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:

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 Financial Instruments: Recognition and Measurement, 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 standard is not expected to have an impact on the Company in its present form.

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.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases which specifies how a lease will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less, or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged for its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The standard is not expected to have a material impact on the Company in its present form.

(Expressed in Canadian Dollars)

4. Amounts Receivable

Amounts receivable as at July 31, 2018 are due from former officers and/or former directors of the Company and companies controlled by them. The balance, as at July 31, 2018 are non-interest bearing, unsecured and due on demand.

5. Investment

		July 31, 2018		July 31, 2017
Cost	$	**1,248,000**	$	1,248,000
Fair value adjustment		**(1,149,788)**		(1,112,630)
Total	$	**98,212**	$	135,370

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 July 31, 2018, the fair value of the GRIT shares is $98,212.

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.

6. Exploration and Evaluation Assets

Whiskey Gap

The Company entered into an option agreement with 1177129 Alberta Ltd. (the "Optionor"), a company controlled by a former officer, in April 2010, subsequently amended on May 30, 2011, September 30, 2011, June 1, 2012, November 19, 2014, November 28, 2015 and November 23, 2017 and November 17, 2018 to acquire up to a 100% interest in certain mineral interests located in Alberta, known as the Whiskey Gap Project.

6. Exploration and Evaluation Assets (continued)

Whiskey Gap (continued)

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

- $12,500 (paid) and issue and allot to the Optionor 100,000 shares of the Company (issued);
- 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);
- 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);
- on or before September 30, 2010, the Company shall expend not less than $100,000 on Exploration Expenditures on the Property; (incurred)
- on or before June 30, 2012, the Company shall pay $100,000 to the Optionor (paid);
- 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, which was extended by the Optionor until June 30, 2019, and by issuing the Optionor an additional 1,000,000 shares (issued, fair value of $250,000).

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 $18,000 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, necessitates a write down at this time in line with the Company’s accounting policy for exploration and evaluation assets.

6. 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 Net Smelter Return ("NSR") of 2%, of which 1% may be purchased by 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, necessitates a write down at this time in line with the Company's accounting policy for exploration and evaluation assets.

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 by the Company for $1,000,000.

In 2015, management wrote down the costs accumulated on the Riverlake property to $10,000 as an asset impairment. The Riverlake claims were allowed to lapse during the year ended July 31, 2017 and the balance of $10,000 was written off.

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 by 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. During fiscal 2017, the balance of $10,000 was written down.

6. 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.

On April 26, 2018, the Company paid US$25,000 to GeoXplor to amend the terms of the option agreement as follows:

- US$50,000 on the effective date (paid);
- 1,000,000 common shares on TSX-V approval (issued);
- US$50,000 on or before March 25, 2016 (paid);
- 1,000,000 common shares on each of February 25, 2017 (issued), December 1, 2018 (issued), December 1, 2019 and December 1, 2020 (Note 7);
- US$75,000 on each of February 25, 2017 (paid) and December 1, 2018; and
- US$100,000 on each of December 1, 2019 and December 1, 2020.

Zadar will be required to make exploration expenditures of US$123,000 on the property in year one (US$100,000 paid), a further US$118,000 on the WSP claims by December 1, 2018, a further US$250,000 on the CR claims by December 1, 2018, a further US$500,000 on the property by December 1, 2019 and a further US$1,500,000 on the property by December 1, 2020. On the fifth anniversary of the effective date, and annually thereafter, Zadar shall pay minimum advanced 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.

During the year ended July 31, 2018, the Company wrote-down $883,677 related to the WSP/CR claims as a result of lack of activity on the property, due to ongoing water rights issues, and a lack of investor confidence in Clayton Valley as a whole.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Assets (continued)

Exploration and Evaluation Expenditures

Details of exploration and evaluation expenditures for the years ended July 31, 2018 and 2017 are as follows:

	Acquisition Costs July 31, 2018	Exploration Costs July 31, 2018	Total July 31, 2018	Total July 31, 2017
Whisky Gap				
Balance, beginning of year	$ 18,000	$ -	$ 18,000	$ 18,000
Balance, end of year	18,000	-	18,000	18,000
Pasfield Lake				
Balance, beginning of year	10,000	-	10,000	10,000
Balance, end of year	10,000	-	10,000	10,000
Highrock / Riverlake				
Balance, beginning of year	-	-	-	10,000
Write-down	-	-	-	(10,000)
Balance, end of year	-	-	-	-
West Carswell				
Balance, beginning of year	-	-	-	10,000
Write-down	-	-	-	(10,000)
Balance, end of year	-	-	-	-
WSP/CR Claims				
Acquisition costs - cash	32,173	-	32,173	100,928
Acquisition costs - shares	50,000	-	50,000	110,000
Geological consulting	-	-	-	3,190
Geophysics	23,551	-	23,551	127,030
Permit		17,329	17,329	27,173
Mineral property costs for the year	105,724	17,329	123,053	368,321
Balance, beginning of year	448,997	311,627	760,624	392,303
Write-down	(554,721)	(328,956)	(883,677)	-
Balance, end of year	-	-	-	760,624
Total	$ 28,000	$ -	$ 28,000	$ 788,624

7. Share Capital

(a) Authorized share capital

Unlimited common shares without par value.

(b) Share issuances

On August 5, 2016, the Company completed a private placement of 5,000,000 units with each unit comprising one common share in the capital of the Company and one half of one common share purchase warrant, at a price of $0.10 per unit for gross proceeds of $500,000. Each whole warrant entitles the holder to purchase a common share of the Company at a price of $0.25 for a period of one year. The Company issued 260,000 finders' warrants, with a fair value of $31,452, 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 $0.25 for a period of one year. All the gross proceeds were allocated to the fair value of the shares issued.

On August 18, 2016, the Company issued a total of 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.

On November 30, 2016, the Company issued a total of 300,000 common shares in the capital of the Company for gross proceeds of $15,000 upon exercise of share purchase warrants at a price of $0.05 per share.

Between February 16, 2017 to March 20, 2017, the Company issued a total of 1,356,000 common shares in the capital of the Company for gross proceeds of $67,800 upon exercise of share purchase warrants at a price of $0.05 per share.

On March 13, 2017, the Company closed the first tranche of its non-brokered private placement for gross proceeds of $1,053,680 by issuing an aggregate of 10,536,800 units at $0.10 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at $0.20 per share for a period of two years from the date of issuance. In connection with this financing, the Company paid finder's fees of $105,368. All the gross proceeds were allocated to the fair value of the shares issued.

On March 14, 2017, the Company issued 1,000,000 common shares in the capital of the Company valued at $110,000 in connection with the WSP/CR Claims (Note 6).

Between September 19, 2017 to September 29, 2017, the Company issued a total of 2,050,000 common shares in the capital of the Company for gross proceeds of $102,500 upon exercise of share purchase warrants at a price of $0.05 per share.

Between December 4, 2017 to January 22, 2018, the Company issued a total of 5,550,000 common shares in the capital of the Company for gross proceeds of $277,500 upon exercise of share purchase warrants at a price of $0.05 per share.

(Expressed in Canadian Dollars)

7. **Share Capital** (continued)

(b) Share issuances (continued)

On April 4, 2018, the Company issued a total of 600,000 common shares in the capital of the Company for gross proceeds of $30,000 upon exercise of share purchase warrants at a price of $0.05 per share.

On April 25, 2018, the Company issued 1,000,000 common shares in the capital of the Company valued at $50,000 in connection with the WSP/CR Claims (Note 6).

During fiscal 2018 the Company offset subscriptions receivable of $29,340, which had been allowed for in fiscal 2017, against accounts payable for services received from the same party.

(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.

	Number of options	Weighted average exercise price $
Options outstanding at July 31, 2016	3,100,000	0.17
Expired	(600,000)	0.25
Options outstanding at July 31, 2017	2,500,000	0.15
Expired	(2,500,000)	0.15
Options outstanding at July 31, 2018	-	-

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)

7. Share Capital (continued)

(d) Share purchase warrants

	Number of warrants	Weighted average exercise price $
Warrants outstanding at July 31, 2016	28,314,051	0.08
Issued in private placement	13,036,800	0.21
Finders' warrants issued	260,000	0.25
Exercised	(4,856,000)	0.05
Expired	(10,020,072)	0.15
Warrants outstanding at July 31, 2017	26,734,779	0.13
Exercised	(8,200,000)	0.05
Expired	(2,760,000)	0.25
Warrants outstanding at July 31, 2018	15,774,779	0.15

Expiry date	Number of warrants	Exercise Price $
December 23, 2018	5,237,979	0.05
March 13, 2019	10,536,800	0.20
	15,774,779	0.15

On August 5, 2016, 260,000 finders' warrants were issued with an estimated fair value of $31,452, which was determined using the Black Scholes option pricing model, with the following assumptions:

Expected dividend yield	0.00%
Exected stock price volatility	226%
Risk-free interest rate	0.59%
Expected life	1 year
Spot price	$0.165

7. Share Capital (continued)

(e) Subscriptions received in advance

As at July 31, 2018, the Company has $Nil (July 31, 2017 - $50,000) of subscriptions received in advance related to common shares not yet issued.

(f) Subscriptions receivable

As at July 31, 2018, the Company has $10,000 (July 31, 2017 - $3,100) of subscriptions receivable related to an exercise of share purchase warrants on April 4, 2018.

8. 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.

8. Financial Instruments and Risk Management (continued)

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, 2018, the Company had a cash balance of $206,831 (July 31, 2017 - $456,742) to settle current liabilities of $149,200 (July 31, 2017 - $349,459). 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 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.

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 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, 2018, the Company has a held for trading investment with a fair value of $98,212. Each 10% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately $9,821.

(Expressed in Canadian Dollars)

8. Financial Instruments and Risk Management (continued)

Market risk (continued)

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 ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors metals prices to determine the appropriate course of action to be taken by the Company.

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, 2018, the Company owns 676,129 GRIT common shares with each common share valued at £0.085 or $0.1453. Management believes there is price risk related to this investment. A 10% change in the price of the GRIT common shares would result in a change in profit or loss by approximately $10,000.

9. 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 year ended July 31, 2018.

10. 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
GRW Inc.	Management fees

(Expressed in Canadian Dollars)

10. Related Party Transactions (continued)

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

Year Ended July 31,		**2018**		2017
Consulting fees	**$**	**29,500**	$	46,540
Management fees		**46,500**		54,500
	$	**76,000**	$	101,040

Amounts due from related parties comprise $1,533 (July 31, 2017 - $56,000) 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 $12,653 (July 31, 2017 - $1,050) in advances from companies with officers in common. The advances are unsecured, non-interest bearing and without specific repayment terms.

11. Loans Payable

Loans payable as at July 31, 2018 are due to former officers and/or former directors of the Company and companies controlled by them. The balances as at July 31, 2018 are non-interest bearing, unsecured and due on demand.

12. Memorandums of Understanding

Petrobrine MOU

In February 2017, the Company entered into a memorandum of understanding ("MOU") with a private Alberta company to purchase certain claims in Manitoba ("Petrobrine MOU"). In May 2017, the Company paid an initial non-refundable $15,000 for the Petrobrine MOU. The Company will pay an additional $25,000 and 1,000,000 shares on TSX-V approval; $100,000 within 6 months of TSX-V approval; $100,000 and 1,000,000 shares on the first anniversary of the Petrobrine MOU; and $150,000 on the second anniversary of the Petrobrine MOU. The MOU also includes a $2,000,000 work commitment over 4 years. A purchase agreement has not yet been executed and accordingly, the $15,000 has been expensed during fiscal 2017.

12. Memorandums of Understanding (continued)

FlowBack MOU

In March 2017, the Company entered into a MOU with 0984767 BC Ltd. (dba Flowback Solutionz, "FlowBack"), a Canadian oil well waste and water treatment company, to test FlowBack's innovative and proprietary waste water treatment technology for the purpose of lithium extraction from Petrobrines from the Company's Manitoba Petrobrine projects ("FlowBack MOU"). In May 2017, the Company paid an initial $26,750 for the FlowBack MOU.

Upon signing a purchase agreement and obtaining TSX-V approval, the Company will pay $50,000 and issue 750,000 common shares. Further commitments, dependent on successful completion of certain trials, tests and commercial operations and production, include funding of a larger scale commercial tests, include paying an additional $1,700,000 and issuing an additional 2,500,000 shares. The Company will have an option to purchase a royalty from FlowBack for $1,000,000 at any time. A purchase agreement has not yet been executed and accordingly, the $26,750 has been expensed during fiscal 2017. The Company is no longer pursuing the FlowBack MOU.

South Hector MOU

In January 2018, the Company entered into a MOU to acquire the South Hector Lithium project located in Southern California, from MDS Lithium LLC ("MDS"), a private Utah Company specializing in membrane separation technology for the mining industry ("South Hector MOU").

Under the terms of the South Hector MOU, the Company will spend US$100,000 on confirmation drilling to acquire the option to purchase a 100% interest in the South Hector Lithium project. MDS in turn will license their proprietary membrane separation technology to recover lithium from clays for a 3% Gross Overriding Royalties ("GOR") and a 10% carried interest in the South Hector Lithium Project.

(Expressed in Canadian Dollars)

13. 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 tax rates. These differences result from the following items:

Year ended July 31,		**2018**		2017
Loss before income taxes	$	(514,562)	$	(829,015)
Basic statutory tax rate		26.58%		26.00%
Income tax recovery based on statutory tax rate	$	(136,771)	$	(215,544)
Expenses not deductible for tax purposes		7,123		(62,240)
Change in enacted rates		(63,890)		-
Change in prior year estimates		(917)		-
Unrecognized tax assets		194,455		277,784
	$	-		-

Deferred tax assets have not been recognized in respect of the following temporary differences because it has not yet been determined that future taxable profits will be available against which the Company can utilize the benefits.

July 31,		**2018**		2017
Deferred income tax assets:				
Non-capital losses	$	1,067,940	$	886,826
Exploration and evaluation assets		545,363		524,268
Share issuance costs		33,438		51,772
Investments		155,222		144,642
Unrecognized tax assets		(1,801,963)		(1,607,508)
	$	-	$	-

The Company has non-capital losses carried forward of $3,955,332 that may be available for tax purposes. The losses expire as follows:

2029	$	71
2030		11,910
2031		83,443
2032		249,108
2033		362,838
2034		706,950
2035		217,682
2036		921,269
2037		857,599
2038		544,462
	$	3,955,332

(Expressed in Canadian Dollars)

14. Commitments

The Company has entered into an operating lease contract for office space. The future minimum payments under the lease as at July 31, 2018 are as follows:

2019	$	44,763
2020		44,763
2021		44,763
2022		7,461
	$	141,750

15. Subsequent Event

(a) On August 21, 2018, the Company entered into an option agreement with a private staking syndicate to purchase the East Boundary Mineral Claims which consists of 1,888 hectares in Northern B.C.

On September 28, 2018, the Company received TSX-V approval related to the acquisition of the East Boundary Mineral Claims.

Under the terms of the agreement, the Company can earn 100% interest in the property by issuing an aggregate of 1,000,000 common shares to various arms length vendors within five days of TSX-V approval (issued subsequent to July 31, 2018) and an additional issuance of 2,000,000 common shares on or before October 31, 2018 (the “Expiry Date”) (issued subsequent to July 31, 2018). A 2% NSR shall be granted to Carl Alexander Von Einseidel, of which 1.5% can be repurchased by the Company for $1,500,000.

A finder’s fee on the East Boundary agreement was paid in the form of 100,000 shares issued to a third party.

(b) On September 18, 2018, the Company issued 500,000 common shares on the exercise of 500,000 Warrants at a price of $.05 for proceeds of $25,000.