Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Financial Statements

(Expressed in Canadian Dollars)

Years Ended July 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zadar Ventures Ltd.:

Opinion

We have audited the financial statements of Zadar Ventures Ltd. (the "Company"), which comprise the statements of financial position as at July 31, 2020 and 2019, and the statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Graeme L. Cocke.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
November 27, 2020

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Financial Position

(Expressed in Canadian Dollars)

	As at July 31, 2020	As at July 31, 2019
Assets		
Current		
Cash	**$ 196,240**	$ 294,872
Amounts receivable (Note 4)	**109,713**	104,111
Investment (Note 5)	**32,708**	16,271
Goods and services tax recoverable	**7,347**	1,522
Due from related parties (Note 11)	**19,055**	1,533
Prepaid expenses and deposits	**374,535**	17,284
	739,598	435,593
Right-of-use asset (Note 6)	**48,610**	-
Exploration and evaluation assets (Note 7)	**28,000**	28,000
	$ 816,208	$ 463,593
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 50,366**	$ 81,330
Share subscriptions refundable (Note 8)	**26,000**	26,000
Loans payable (Note 12)	**1,032**	10,830
Lease liability (Note 14)	**39,723**	-
Due to related parties (Note 11)	**18,703**	11,103
	135,824	129,263
Lease liability (Note 14)	**6,169**	-
	141,993	129,263
Shareholders' Equity		
Share capital (Note 8)	**9,288,997**	8,662,578
Subscriptions receivable (Note 8)	**-**	(32,500)
Contributed surplus	**672,064**	672,064
Deficit	**(9,286,846)**	(8,967,812)
	674,215	334,330
	$ 816,208	$ 463,593

Nature of operations and going concern (Note 1)
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 Years Ended July 31, 2020	2019
Administrative expenses		
Accretion	$ **2,502**	$ -
Accounting and audit	**37,812**	36,028
Amortization	**41,649**	-
Bank charges and interest	**476**	864
Consulting (Note 11)	**55,164**	51,497
Legal	**5,578**	8,986
Listing and filing fees	**31,836**	47,401
Management fees (Note 11)	**115,000**	131,476
Office and sundry	**73,119**	95,288
Promotion and travel	**15,258**	2,054
Write-down of exploration and evaluation assets	**6,000**	146,349
	(384,394)	(519,943)
Interest income	**-**	304
Other income	**18,923**	-
Unrealized gain (loss) on investment (Note 5)	**16,437**	(81,941)
Write-off of accounts payable	**30,000**	-
Net loss and comprehensive loss	$ **(319,034)**	$ (601,580)
Basic and diluted loss per share	$ **(0.02)**	$ (0.05)
Basic and diluted weighted average shares outstanding	**19,591,702**	11,530,805

Zadar Ventures Ltd.

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Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Shares of common stock	Share capital	Subscriptions receivable	Contributed surplus	Deficit	Total
July 31, 2018	9,819,134	$ 8,041,054	$ (10,000)	$ 672,064	$ (8,366,232)	$ 336,886
Issued for cash	7,500,000	487,500	(32,500)	-	-	455,000
Issued for property	310,000	115,000	-	-	-	115,000
Exercise of warrants	50,000	25,000	-	-	-	25,000
Share issue costs	-	(5,976)	-	-	-	(5,976)
Settlement of debt	-	-	10,000	-	-	10,000
Net loss	-	-	-	-	(601,580)	(601,580)
July 31, 2019	17,679,134	8,662,578	(32,500)	672,064	(8,967,812)	334,330
Issued for cash	5,500,000	612,500	-	-	-	612,500
Exercise of warrants	250,000	21,250	-	-	-	21,250
Subscriptions receivable	-	-	32,500	-	-	32,500
Share issue costs	-	(7,331)	-	-	-	(7,331)
Net loss	-	-	-	-	(319,034)	(319,034)
July 31, 2020	**23,429,134**	**$ 9,288,997**	**$ -**	**$ 672,064**	**$ (9,286,846)**	**$ 674,215**

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Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Years Ended July 31,		**2020**		2019
Cash flows used in operating activities				
Net loss	**$**	**(319,034)**	$	(601,580)
Adjustments for:				
Accretion and amortization		**44,151**		-
Unrealized loss (gain) on investment		**(16,437)**		81,941
Write-down of exploration and evaluation assets		**6,000**		146,349
Write-off of accounts payable		**(30,000)**		-
Changes in non-cash working capital				
Goods and services tax recoverable		**(5,825)**		44,554
Prepaid expenses and deposits		**(357,251)**		(1,890)
Accounts payable and accrued liabilities		**(964)**		40,311
Lease liability		**(46,869)**		-
		(726,229)		(290,315)
Cash flows used in investing activities				
Exploration and evaluation expenditures		**(6,000)**		(31,349)
Amounts receivable		**(5,602)**		(14,071)
		(11,602)		(45,420)
Cash flows from financing activities				
Proceeds from issuance of common stock, net of issue costs		**658,919**		474,024
Advances to related parties		**(9,922)**		(1,550)
Subscriptions received in advance		**-**		26,000
Loans repaid		**(9,798)**		(74,698)
		639,199		423,776
Increase (Decrease) in cash		**(98,632)**		88,041
Cash at beginning of the year		**294,872**		206,831
Cash at end of the year	**$**	**196,240**	$	294,872

Supplemental disclosure with respect to cash flows				
Interest paid	**$**	**-**	$	-
Income taxes paid	**$**	**-**	$	-

Non cash investing and financing activities				
Settlement of debt against subscriptions receivable	**$**	**-**	$	10,000
Shares issued for exploration and evaluation expenditures	**$**	**-**	$	145,000

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 $9,286,846 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.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world's equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. These financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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 27, 2020.

All dollar amounts are presented in Canadian dollars, which is also the functional currency of the Company, unless otherwise specified.

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the financial statements, in conformity with IFRS, requires estimates and assumptions that affect the amounts reported in the financial statements. Significant areas where judgment is applied include assessment of impairment of exploration and evaluation assets, recoverability of amounts receivable and assessment of the Company's ability to continue as a going concern.

Significant estimates include the fair value of financial instruments.

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.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

<u>Judgments</u>

i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

ii) Amounts receivables

The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on creditworthiness, current economic trends and analysis of historical bad debts.

3. **Significant Accounting Policies** (continued)

(a) **Significant Accounting Estimates and Judgments** (continued)

iii) Impairment of exploration and evaluation assets

At the end of each reporting period, the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the assets being considered. The amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

iv) Application of IFRS 16 – Leases ("IFRS 16")

The Company applies judgment in determining whether lease contracts contain an identified asset, whether the Company has the right to control the asset and the lease term. The lease term is based on considering the facts and circumstances, both qualitative and quantitative, which can create economic incentive to exercise renewal options. The discount rate applied is based on the judgment of management as to what rate most approximately reflects the incremental borrowing rate of the Company.

<u>Estimates</u>

i) Fair value of financial instruments

Management uses valuation techniques, in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are provided in the notes regarding financial assets and liabilities.

In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk and volatility, which may vary from the actual results that would be achieved in an arm's length transaction at the reporting date.

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss); and
- those to be measured at amortized cost.

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument, or where appropriate, a shorter period. Cash, amounts receivable, and due from related parties are classified in this category.

Fair value through OCI ("FVOCI"): Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest method. The Company had no financial instruments classified in this category.

FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net in the statement of loss and comprehensive loss in the period in which it arises. Investment is classified in this category.

3. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

(e) 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 vesting 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.

3. Significant Accounting Policies (continued)

(f) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted earnings 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 on loss per share; thus, fully diluted loss per share is the same as basic loss per share.

(g) Income Taxes

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

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the 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 Capital

The Company issues common shares and share purchase warrants from time to time, which are classified in the financial statements as equity instruments. The residual value method is used to calculate the fair value of the warrant component in unit offerings, whereby the residual of the private placement proceeds after deducting the fair value of the share component is assigned as the fair value of the warrants.

(i) 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.

3. Significant Accounting Policies (continued)

(j) Changes in Accounting Policies

IFRS 16

In January 2016, the IASB issued IFRS 16, 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 – Leases. IFRS 16 became effective and was adopted for the Company's annual reporting periods beginning on August 1, 2019. 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. The impact on the Company's financial statements resulting from the adoption of IFRS 16 is limited to the office lease as disclosed in Note 14.

The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019, the effective date of IFRS 16.

(i) Right of use asset

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term using the straight line method.

(ii) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. When measuring the lease liabilities, the Company used the implicit interest rate stated in the leases.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

(j) Changes in Accounting Policies (continued)

(ii) Lease liability (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

4. Amounts Receivable

Amounts receivable as at July 31, 2020 and 2019, are due from former officers and/or former directors of the Company and companies controlled by them. The balances as at July 31, 2020 and 2019 are non-interest bearing, unsecured and due on demand.

5. Investment

	July 31, 2020	July 31, 2019
Cost	**$ 1,248,000**	$ 1,248,000
Cumulative fair value adjustment	**(1,215,292)**	(1,231,729)
Total	**$ 32,708**	$ 16,271

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 FVTPL, with unrealized gains and losses recognized in profit or loss. At July 31, 2020, the fair value of the GRIT shares was $32,708 (2019 - $16,271). For the year ended July 31, 2020, the change in the fair value of the investment was an unrealized gain of $16,437 (2019 – unrealized loss of $81,941).

The fair value of GRIT has been determined by reference to published price quotations in an active market in accordance with level 1 of the fair value hierarchy.

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.

(Expressed in Canadian Dollars)

6. Right-of-use asset

	July 31, 2020	July 31, 2019
Balance, beginning of year	**$ -**	$ -
Additions (Note 14)	**90,259**	-
Amortization	**(41,649)**	-
Balance, end of year	**$ 48,610**	$ -

7. 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.

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 10,000 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 20,000 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 30,000 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 50,000 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, 2020, and by issuing the Optionor an additional 100,000 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, necessitated the write down at that time in line with the Company’s accounting policy for exploration and evaluation assets. The write down was done in accordance with level 3 of the fair value hierarchy. As at July 31, 2020, there have been no changes in management’s analysis that would support renewed capitalization of costs with respect to this property.

7. 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 174,500 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, necessitated the write down at that time in line with the Company’s accounting policy for exploration and evaluation assets. The write down was done in accordance with level 3 of the fair value hierarchy. As at July 31, 2020, there have been no changes in management’s analysis that would support renewed capitalization of costs with respect to this property.

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 500,000 of its common shares and pay US$450,000 in cash payments, in addition to a 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);
- 100,000 common shares on TSX-V approval (issued);
- US$50,000 on or before March 25, 2016 (paid);
- 100,000 common shares on each of February 25, 2017 (issued), December 1, 2018 (issued), December 1, 2019 and December 1, 2020;
- 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.

7. Exploration and Evaluation Assets (continued)

WSP/CR Claims (continued)

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. The write down was done in accordance with level 3 of the fair value hierarchy. During the year ended July 31, 2019, the Company capitalized and subsequently wrote-down $11,349 related to further acquisition costs of the WSP/CR claims. The write down was due to the same issues that were present at July 31, 2018. The write down was done in accordance with level 3 of the fair value hierarchy.

On January 5, 2019, the option agreement with GeoXplor was terminated and the Company has no further rights or obligations related to this property.

East Boundary Mineral Claims

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 a 100% interest in the property by issuing an aggregate of 100,000 common shares to various arms length vendors within five days of TSX-V approval (issued) and an additional issuance of 200,000 common shares on or before October 31, 2018 (the "Expiry Date") (issued) (Note 8). 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 10,000 shares issued to a third party.

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets (continued)

East Boundary Mineral Claims (continued)

During the year ended July 31, 2019, the Company wrote-down the full $135,000 of capitalized costs related to the East Boundary Mineral Claims. While management still believes that the property is of merit and warrants continued development, lack of planned activity due to market conditions, and difficulty obtaining financing necessitated the impairment as at July 31, 2019. The write down was done in accordance with level 3 of the fair value hierarchy. As at July 31, 2020, there have been no changes in management's analysis that would support renewed capitalization of costs with respect to this property.

Exploration and Evaluation Expenditures

Details of exploration and evaluation expenditures for the years ended July 31, 2020 and 2019 are as follows:

	Acquisition Costs July 31, 2020	Exploration Costs July 31, 2020	Total July 31, 2020	Total July 31, 2019
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
WSP/CR Claims				
Acquisition costs - cash	-	-	-	11,349
Mineral property costs for the year	-	-	-	11,349
Balance, beginning of year	-	-	-	-
Write-down	-	-	-	(11,349)
Balance, end of year	-	-	-	-
East Boundary				
Acquisition costs - shares	-	-	-	115,000
Property maintenance	-	6,000	6,000	20,000
Mineral property costs for the year	-	6,000	6,000	135,000
Balance, beginning of year	-	-	-	-
Write-down	-	(6,000)	(6,000)	(135,000)
Balance, end of year	-	-	-	-
Total	$ 28,000	$ -	$ 28,000	$ 28,000

8. Share Capital

Effective April 9, 2019, the Company consolidated its common shares on the basis of one post-consolidation common share for every 10 pre-consolidation common shares. Unless otherwise indicated, all share and per share figures have been retrospectively adjusted in these financial statements to reflect the share consolidation.

(a) Authorized share capital

Unlimited common shares without par value.

(b) Share issuances

On September 18, 2018, the Company issued a total of 50,000 common shares in the capital of the Company for gross proceeds of $25,000 upon exercise of share purchase warrants at a price of $0.50 per share.

On September 28, 2018, the Company issued 110,000 common shares in the capital of the Company valued at $55,000, based on the share price on the date of issuance, in connection with the East Boundary Mineral Claims (Note 7).

On November 2, 2018, the Company issued 200,000 common shares in the capital of the Company valued at $60,000, based on the share price on the date of issuance, in connection with the East Boundary Mineral Claims (Note 7).

On May 23, 2019, the Company closed a non-brokered private placement of 7,500,000 units at $0.065 per unit for gross proceeds of $487,500, of which $32,500 was received during the year ended July 31, 2020. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of $0.085 per share for a period of three years from the date of issue. The full proceeds were allocated to the shares under the residual value method.

On January 9, 2020, the Company closed a non-brokered private placement of 2,500,000 units at $0.065 per unit for gross proceeds of $162,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of $0.085 per share for a period of three years from the date of issue. The full proceeds were allocated to the shares under the residual value method.

On June 2, 2020, the Company closed a non-brokered private placement of 3,000,000 units at $0.15 per unit for gross proceeds of $450,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of $0.30 per share for a period of eighteen months from the date of issue. The full proceeds were allocated to the shares under the residual value method.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

(b) Share issuances (continued)

On June 9, 2020, the Company issued a total of 250,000 common shares in the capital of the Company for gross proceeds of $21,250 upon exercise of share purchase warrants at a price of $0.085 per share.

(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 preceding the day on which the Company announces the grant of options. The Plan provides for the issuance of up to 10% of the Company's issued common shares at the date of the grant. Options awarded under the Plan are equity settled.

As at July 31, 2020, the Company had no stock options outstanding.

(d) Share purchase warrants

	Number of warrants	Weighted average exercise price $
Warrants outstanding at July 31, 2018	1,577,478	1.50
Issued	7,500,000	0.085
Exercised	(50,000)	0.50
Expired	(1,527,478)	1.53
Warrants outstanding at July 31, 2019	7,500,000	0.085
Issued	5,500,000	0.202
Exercised	(250,000)	0.085
Warrants outstanding at July 31, 2020	12,750,000	0.136

As at July 31, 2020, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
7,500,000	$0.085	May 23, 2022
2,250,000	$0.085	January 9, 2023
3,000,000	$0.300	December 2, 2021
12,750,000		

(e) Share subscriptions refundable

As at July 31, 2020, the Company had a share subscription refundable in the amount of $26,000 (2019 - $26,000) to an investor in connection with the private placement that closed on May 23, 2019.

9. 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.

Investment is carried at the level 1 fair value measurement.

The carrying values of cash, amounts receivable, due from/to related parties, accounts payable and accrued liabilities, share subscriptions refundable 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 receivable, and 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, 2020, the Company had a cash balance of $196,240 (2019 - $294,872) to settle current liabilities of $135,824 (2019 - $129,263). 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 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.

9. Financial Instruments and Risk Management (continued)

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of 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 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, 2020, the Company has an investment with a fair value of $32,708. Each 10% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately $3,300.

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 investment primarily relates to the change in the market prices of the investments in GRIT common shares. As at July 31, 2020, the Company owns 676,129 GRIT common shares with each common share valued at £0.0275 or $0.0484. 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 $3,300.

(Expressed in Canadian Dollars)

10. Capital Management

The Company includes equity, comprising issued common shares, contributed surplus, subscriptions receivable 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, 2020.

11. 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

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

Years Ended July 31,	2020	2019
Management fees	$ 54,000	$ 71,476
Consulting fees	-	2,500
	$ 54,000	$ 73,976

Amounts due from related parties comprise $19,055 (2019 - $1,533) 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 $18,703 (2019 - $11,103) in advances from companies with officers in common. The advances are unsecured, non-interest bearing and without specific repayment terms.

12. Loans Payable

Loans payable as at July 31, 2020 and 2019 are due to former officers and/or former directors of the Company and companies controlled by them. The balances as at July 31, 2020 and 2019 are non-interest bearing, unsecured and due on demand.

(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,	2020	2019
Loss before income taxes	$ (319,034)	$ (601,580)
Basic statutory tax rate	27.00%	27.00%
Income tax recovery based on statutory tax rate	$ (86,139)	$ (162,427)
Expenses not deductible for tax purposes	(2,447)	10,351
Change in enacted rates	-	-
Change in prior year estimates	-	144,592
Unrecognized tax assets	88,586	7,484
	$ -	-

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,	2020	2019
Deferred income tax assets:		
Non-capital losses	$ 1,285,053	$ 1,184,806
Exploration and evaluation assets	699,732	698,112
Share issuance costs	11,344	22,406
Investments	164,064	166,283
Unrecognized tax assets	(2,160,193)	(2,071,607)
	$ -	$ -

The Company has non-capital losses carried forward of approximately $4,760,000 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	854,149
2038	563,968
2039	416,783
2040	371,286
	$ 4,759,457

(Expressed in Canadian Dollars)

14. Lease Liability

The Company has entered into a lease contract for office space. On adoption of IFRS 16, Leases, the Company recognized the right-of-use asset (Note 6), and a corresponding increase in a lease liability, in the amount of $90,259 which represented the present value of future lease payments using a discount rate of 12%. During the year ended July 31, 2020, the Company recorded an interest expense of $2,502 related to the lease liability.

The following table presents the lease obligations of the Company:

		2020
Operating lease obligations recognized at beginning of the year	$	90,259
Payments of lease obligations		(46,869)
Accretion expense on lease obligations		2,502
Total lease obligations balance	$	45,892
Non-current portion		**6,169**
Current portion	**$**	**39,723**

The following table presents a maturity analysis of the contractual undiscounted cash flows from lease obligations:

		2020
Less than one year	$	47,308
One to five years		7,885
Total undiscounted lease obligations	**$**	**55,193**

15. Subsequent Event

On July 30, 2020, the Company announced that it has executed a definitive share exchange agreement with XRApplied SAS (“XRA”), a company with intellectual property expected to be utilized in the development and deployment of AR/VR/MR technologies, as well as assets like AR/VR games and AR/VR mobile applications. Under the terms of the agreement, the Company will acquire all the outstanding shares of XRA in exchange for 40,000,000 common shares of the Company and commit to raising a minimum of US$500,000 by way of an equity offering. As at the approval date of these financial statements, the proposed transaction had not closed. The Company advises that the transaction will require regulatory and shareholder approval, and that there is no assurance that the proposed transaction will close.