



XRAPPLIED TECHNOLOGIES INC.

Form 2A LISTING STATEMENT

Dated: July 23, 2021

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Schedule “B” – Annual Audited Financial Statements for the fiscal years ended July 31, 2020 and 2019

Schedule “C” – Management Discussion and Analysis for the fiscal year ended July 31, 2020

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Glossary of General Terms

The following is a glossary of certain terms used in this Listing Statement and in certain documents attached as schedules hereto.

“**Auditors**” means Baker Tilly WM LLP, the auditors of the Issuer and XRA.

“**Base Platform Technology**” means the underlying software, technology and intellectual property pertaining to the Software Development Kit as developed by IT Craft, Oleksiy Andriychenko and Kostiantyn Makeiev, and contributed to XRA in consideration of 20,000,000 shares of XRA.

“**BCBCA**” means the *Business Corporations Act* (British Columbia) including the regulations thereunder, as amended.

“**BCSC**” means the British Columbia Securities Commission.

“**Board**” means the board of directors of the Issuer, as it may be comprised from time to time.

“**CEO**” means an individual who acted as the chief executive officer of the Issuer, or acted in a similar capacity, for any part of the most recently completed financial year.

“**CFO**” means an individual who acted as the chief financial officer of the Issuer, or acted in a similar capacity, for any part of the most recently completed financial year.

“**Common Shares**” or “**Shares**” means common shares without par value in the capital of the Issuer as they exist on the date of this Listing Statement.

“**Issuer**” means XRApplied Technologies Inc. (formerly Zadar Ventures Ltd.).

“**CSE**” means the Canadian Securities Exchange.

“**Financing**” means the non-brokered private placement undertaken by the Issuer, which closed June 13, 2021, in conjunction with the Share Exchange Agreement, of 3,490,450 Units at \$0.35 per Unit for gross proceeds of \$1,221,658.

“**IT Craft**” means IT Craft YSA GmbH, a private German corporation, having its registered office at Panoramastr.1, 10178, Berlin, Germany, which is controlled by Oleksiy Andriychenko, the CEO of XRA and a director of the Issuer.

“**Listing Statement**” means this CSE Form 2A Listing Statement.

“**Related Person**” has the meaning as described thereto in CSE Policy 1.

“**Share Exchange Agreement**” means that agreement dated July 17, 2020 among the Issuer, XRA, and the former shareholders of XRA, which closed June 23, 2021, pursuant to which the Issuer acquired all of the outstanding shares of XRA in exchange for 40,000,000 Shares at the deemed price of \$0.30 per Share.

“**Shareholders**” means the holders of the Issuer’s Common Shares.

“**Stock Option Plan**” means the existing stock option plan of the Issuer.

“**TSXV**” means the TSX Venture Exchange.

“**Unit**” means a unit in the capital of the Issuer, as issued pursuant to the Financing; each Unit consisting of one Common Share and one Unit Warrant.

“**Unit Warrant**” means a transferable Share purchase warrant forming part of a Unit as issued pursuant to the Financing, entitling the holder to acquire one Share at \$0.75 until June 13, 2022 and at \$1.00 thereafter until June 13, 2023.

“**XRA**” means XRApplied S.A.S., a French company based in Sarlat-la-Canéda, France, formed March 2, 2020 for the purposes of acquiring the Base Platform Technology, raising working capital, and entering into the Share Exchange Agreement with the Issuer.

Glossary of Technical Terms

5G means the fifth generation global wireless standard.

AI or **Artificial Intelligence** means the theory and development of computer systems able to perform tasks that normally require human intelligence, that mimic "cognitive" functions that humans associate with "learning" and "problem solving".

API or **application programming interface** is a computing interface which defines interactions between multiple software intermediaries. It defines the kinds of calls or requests that can be made, how to make them, the data formats that should be used, the conventions to follow, and the like.

AR or **Augmented Reality** adds digital elements to a live view often by using the camera on a smartphone. Examples of augmented reality experiences include Snapchat lenses and the game Pokemon Go.

CGI or **Computer Generated Imagery** refers to computer animation that digitally generates animated images. The more general term “computer-generated imagery” encompasses both static scenes and dynamic images, while computer animation only refers to moving images.

D3 is a JavaScript library that produces dynamic, interactive data visualizations in web browsers. It makes use of Scalable Vector Graphics, HTML5, and Cascading Style Sheets standards.

Disruptive Technology is an innovation that significantly alters the way that consumers, industries, or businesses operate. A disruptive technology replaces systems or habits because it has attributes that are recognizably superior.

Goggles mean virtual reality headsets such as Oculus, Oculus Quest, Oculus Rift, and Valve Index.

Hybrid Apps are HTML5 run through Web browsers.

Immersive Technology means the use of XR that results in a state in which users forget whether they are in the real world or not.

Mixed Reality or **MR** combines elements of both AR and VR, in which real-world and digital objects interact.

Native Apps are designed to be “native” to one platform, Apple iOS, Google’s Android, or Windows Phone, for examples.

PaaS or **Platform as a service**, or **Mobile backend as a service (MBaaS)**, is a model for providing web app and mobile app developers with a way to link their applications to backend cloud storage and APIs exposed by back end applications while also providing features such as user management, push notifications, and integration with social networking services.

PLC programming is the task of designing and implementing control application depending on customers need. It usually consists of a set of instructions either in textual or graphical form, which represents the logic to be implemented for specific industrial real-time applications.

PPC or **Pay-per-click** is a form of marketing, (also known as “paid search” marketing) – comprising an advertising channel on search engines where businesses may bid on keywords used in searches.

Responsive websites switch to a different design when they are accessed from a mobile device.

SaaS or **Software as a service** is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted. It is sometimes referred to as "on-demand software", and was formerly referred to as "software plus services" by Microsoft.

SEM or **Search Engine Marketing**, commonly used to describe both PPC and SEO, but also often used synonymously with PPC marketing.

SEO or **Search Engine Optimization** is the practice of “optimizing” website pages.

SDK or **Software Development Kit** is a collection of software development tools in one installable package. They ease creation of applications by having compiler, debugger and sometimes a software framework.

UI or **User interface design** is the specific program users interact with. UI design considers the look, feel, and interactivity of the product.

UX or **User experience design** encompasses all aspects of the end-user’s interaction with the business, its services, and its products.

VR or **Virtual Reality** implies a complete immersion experience that shuts out the physical world. Using VR devices such as Goggles, users can be transported into any number of real-world and imagined environments.

XR or **Extended Reality** is an umbrella term encompassing augmented, virtual, and mixed reality technologies.

Forward-Looking Statements

Certain statements in this Listing Statement may constitute “forward-looking” statements involving known and unknown risks, uncertainties and other factors regarding the Issuer’s intentions, beliefs, expectations and future results as they pertain to the Issuer and its proposed business. This may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. This forward-looking information also includes information regarding the financial condition and business of the Issuer, as they exist at the date of this Listing Statement and as they are expected to be after the Financing.

Forward-looking statements may include, but are not limited to, statements regarding the Issuer’s opportunities, strategies, competition, expected activities and expenditures as the Issuer pursues its business plan, the adequacy of the Issuer’s available cash resources and other statements about future events or results. In particular, and without limiting the generality of the foregoing, this Listing Statement contains forward-looking information concerning:

- the Issuer’s development and exploitation of software and intellectual property in the XR field;
- general market conditions;
- the availability of financing for proposed programs on reasonable terms;
- the ability to contract outside service providers and the reliability of those outside service providers in delivering services in a satisfactory and timely manner;
- expectations with respect to the technology being developed by the Issuer;
- the use of the net proceeds of the Financing;
- the performance of the Issuer’s business and operations;
- the Issuer’s expectations regarding expenses and anticipated cash needs;
- the intention to grow the Issuer’s business and operations;
- the competitive conditions of the industry in which the Issuer operates;
- the legal system of France and other jurisdictions in which the Issuer may carry on business; and changes thereto;
- the expected timing and completion of the Issuer’s near-term objectives;
- laws and any amendments thereto applicable to the Issuer and its intended business;
- the competitive advantages and business strategies of the Issuer;
- the Issuer’s plans with respect to the payment of dividends;
- the identity of the NEOs of the Issuer and the expected compensation payable to them; and
- corporate governance matters, including the adoption of Board committee mandates, the membership of such committees and the adoption of various corporate policies.

The Issuer’s forward-looking information is based on the beliefs, expectations and opinions of management of the Issuer on the date the information is provided. Investors should not place undue reliance on forward-looking information.

In certain cases, forward-looking statements can be identified by the use of such words as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, “seek”, “project”, “should”, “strategy”, “future”, “consider” and other similar terminology. These statements reflect the Issuer’s current expectations regarding future events and operating performance and speak only as of the date of this Listing Statement.

Forward-looking statements in this Listing Statement include statements regarding:

- compliance with regulatory requirements relating to Issuer's business;
- changes in laws, regulations and guidelines relating to Issuer's business;
- reliance on management;
- competition in the Issuer's industry;
- suitability and acceptability of the Issuer's technology;
- inherent risks associated with software and new technology;
- conflicts of interest of the Issuer's officers and directors;
- volatility in the market price for the securities of the Issuer;
- no dividends for the foreseeable future;
- future sales of Common Shares or other securities by existing shareholders causing the market price for the securities to fall; and
- the issuance of shares or other securities in the future causing dilution.

With respect to forward-looking statements and forward-looking information contained in this Listing Statement, assumptions have been made regarding, among other things:

- the technology developed by the Issuer will perform in the manner contemplated;
- the Issuer's ability to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Issuer conducts its business and any other jurisdictions in which the Issuer may conduct its business in the future;
- future expenses and capital expenditures to be made by the Issuer;
- future sources of funding for the Issuer's business;
- the intentions of the Board with respect to the executive compensation plans and corporate governance programs described herein;
- the impact of competition on the Issuer; and
- the Issuer's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and included elsewhere in this Listing Statement, including:

- general economic, market and business conditions;
- uncertainties surrounding the local, national and global impact of the COVID 19 pandemic;
- uncertainties surrounding competition, and the rapidly changing technology, in the XR field;
- potential conflicts of interest;
- risks related to the development of software;
- current global financial conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility;
- the Issuer's status and stage of development;
- the inability to hire or contract for the technically skilled personnel needed to develop and maintain the Issuer's software and technology;
- competition for, among other things, capital and skilled personnel;
- actions by governmental authorities, including changes in government regulation and taxation;
- the availability of capital on acceptable terms;
- competing or infringement claims made in respect of the Issuer's technology;
- operating and capital costs;
- risks arising from future acquisition activities;
- volatility in the market price of the Common Shares;

- the effect that the issuance of additional securities by the Issuer could have on the market price of the Common Shares;
- the other factors discussed under “*Risk Factors*”.

Although the forward-looking statements contained in this Listing Statement are based upon what management of the Issuer believes are reasonable assumptions, the Issuer cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Listing Statement and are expressly qualified in their entirety by this cautionary statement; and the Issuer disclaims any obligation to update any forward-looking statements, whether because of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

2. CORPORATE STRUCTURE

Corporate Structure

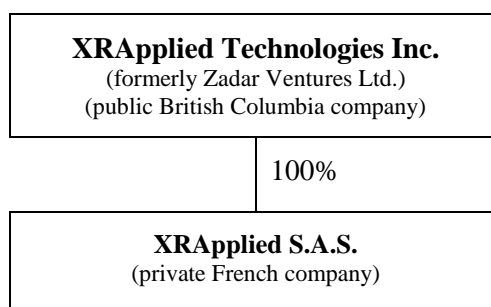
XRApplied Technologies Inc. (the “Issuer”)

2.1 Head office: Suite 908 – 510 Burrard Street, Vancouver, B.C. V6C 2A8

Registered office: Suite 2900 – 595 Burrard Street, Vancouver, B.C. V7X 1J5

2.2 The Issuer was incorporated on August 6, 2008 pursuant to the BCBCA under the name *Zadar Ventures Ltd.* On July 19, 2021, the Issuer changed its name to *XRApplied Technologies Inc.*

2.3 The Issuer has one subsidiary – XRApplied S.A.S., a federal French corporation which is wholly owned by the Issuer. XRApplied S.A.S. was incorporated on March 2, 2020. Its head office is located at 76 avenue de Selves, 24200, Sarlat-la-Canéda (Dordogne), France.



2.4 The Issuer is not re-qualifying to list on the CSE. The Issuer was previously listed for trading on the TSXV under the symbol “ZAD” from May 28, 2012 until the date the Issuer began trading on the CSE. The Issuer is a reporting issuer in each of British Columbia, Alberta and Ontario.

Each of Oleksiy Andriychenko (director), Kostiantyn Makeiev (CTO and director) and Jean Vignon (director) resides outside of Canada; and each has appointed the law firm of Owen Bird Law Corporation (OBLC) as his agent for service of process in Canada. It may not be possible to enforce judgments obtained in Canada against any of these persons in their country of residence, even if they have appointed OBLC as their agent for service of process. See “Risk Factors”

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 The following is a general description of the development of the Issuer’s business over its five most recently completed financial years, up to and including the date of this Listing Statement.

The Issuer was previously involved in mineral exploration in Canada, principally in the Athabaska Basin in Saskatchewan. During the fiscal year ended July 31, 2015 the Issuer (i) wrote off an aggregate of \$568,428 of acquisition and exploration costs associated with five mineral properties in which the Issuer previously held an interest, and (ii) wrote down an aggregate of \$1,427,986 of acquisition and exploration costs associated with four other mineral properties in which the Issuer retained an interest, to reflect a residual \$40,000 of exploration and evaluation assets. No exploration activities were carried out in fiscal 2015.

During the fiscal year ended July 31, 2016 the Issuer entered into an option agreement with GeoXplor Corp. to acquire a 100% interest in two prospective lithium projects in Nevada, USA, known as the WSP and CR claims. During fiscal 2016 the Issuer paid an aggregate of \$158,069 and issued 1,000,000 Shares toward the option price, and incurred \$154,234 toward work on those properties. No exploration activities were carried out in fiscal 2016 on the four remaining Canadian mineral property interests held by the Issuer.

During the fiscal year ended July 31, 2017 the Issuer incurred an additional \$210,928 of acquisition costs and \$157,393 of exploration work on the WSP and CR claims. It wrote off \$20,000 of prior exploration and evaluation assets relating to two of the four Canadian mineral property interests; and did not incur any exploration expenses on the remaining two Canadian mineral properties during fiscal 2017.

During the fiscal year ended July 31, 2018 the Issuer incurred an additional \$105,724 of acquisition costs related to the WSP and CR claims, but incurred no exploration expenses on that property; and at the end of that fiscal year the Issuer wrote down all of its \$883,677 of acquisition and explorations costs. It did not incur any exploration expenses on the remaining two Canadian mineral properties during fiscal 2018.

Effective April 8, 2019, the Issuer consolidated its common shares on the basis of one post-consolidated common share for every 10 pre-consolidation common shares.

During the fiscal year ended July 31, 2019, the Issuer entered into an option agreement with a private staking syndicate to purchase the East Boundary Mineral Claims which consisted of 1,888 hectares in northern British Columbia. The Issuer expended \$135,000 toward acquisition and property maintenance costs on this property during fiscal 2019. However, that same amount was written down at the end of fiscal 2019 to reflect impairment related to the Issuer's inability to raise funds to further explore the property.

During the fiscal year ended July 31, 2020, the Issuer did not incur any acquisition or exploration expenses on any of its mineral property assets, other than to spend \$6,000 toward maintenance of the East Boundary Mineral Claims. However, that same amount was written down at the end of fiscal 2020 to reflect impairment related to the Issuer's inability to raise funds to further explore the property. Instead, the Issuer began looking for business opportunities in various alternative industries including technologies relating to Fintech, Artificial Intelligence (AI) and various other similar technologies. On July 17, 2020 the Issuer entered into the Share Exchange Agreement to acquire the outstanding shares of XRA in exchange for 40,000,000 Shares of the Issuer.

Since January 31, 2021 (being the date of the most recently filed financial statements) the Issuer has undertaken the following:

1. Completed the Share Exchange Agreement whereby the Issuer acquired all of the outstanding shares of XRA in exchange for 40,000,000 Shares of the Issuer.
2. In conjunction with the acquisition of XRA, the Issuer also completed the following:
 - (i) the Financing, and issued 3,490,450 Units at \$0.35 per Unit for gross proceeds of \$1,221,658;
 - (ii) obtained shareholders' approval to the Issuer's acquisition of XRA;
 - (iii) changed its name from "Zadar Ventures Ltd." to "XRApplied Technologies Inc.";
 - (iv) changed its board of directors to reflect the resignations of Paul Gray and John Roozendaal, and the appointment of Oleksiy Andriychenko, Kostiantyn Makeiev, and Jean Vignon;
 - (v) appointed new executive officers – Lior Ishai (CEO), Kostiantyn Makeiev (CTO) and Geoffrey Watson (Corporate Secretary); and

(vi) disposed of all of its remaining mineral property interests.

3. Initiated steps for listing on the CSE.

3.2 There have not been any significant acquisitions completed by the Issuer, nor are there any significant probable acquisitions proposed by the Issuer, for which financial statements would be required under National Instrument 41-101 *General Prospectus Requirements* (including the Amalgamation) if this Listing Statement were a prospectus. The acquisition of XRA was not considered a “reverse take-over” or a business acquisition under IFRS, and has been accounted for as an asset acquisition. This determination was based on: (i) XRA was formed solely for the purposes of acquiring the Base Platform Technology, raising initial seed financing, and undertaking the Share Exchange Agreement with the Issuer (such that it had no operating activities), and (ii) the two founders of XRA would not be the largest group of shareholders of the Issuer on closing (although all former XRA shareholders hold an aggregate of 40,000,000 Shares of the Issuer, representing 59.66% of the Issuer’s outstanding Shares).

XRA – Share Exchange Agreement

Pursuant to the Share Exchange Agreement, the Issuer acquired all of the 40,000,000 outstanding shares of XRA in exchange for 40,000,000 Shares of the Issuer at the deemed price of \$0.30 per Share. XRA was a newly incorporated private French company, formed for the limited purposes of acquiring the Base Platform Technology, raising initial seed financing, and undertaking the Share Exchange Agreement with the Issuer. The acquisition of XRA was an arm’s length transaction for the Issuer. XRA will be the operating arm of the Issuer, carrying on business in the XR sector, as described herein.

XRA had 40,000,000 shares outstanding, which were issued as to:

- (i) 20,000,000 shares to Oleksiy Andriyenko and Kostiantyn Makeiev in consideration of the contribution of the Base Platform Technology;
- (ii) 16,500,000 shares for cash consideration of \$82,500 (\$0.005 per share); and
- (iii) 3,500,000 shares for cash consideration of \$70,000 (\$0.02 per share).

The Issuer commissioned and received an independent valuation of the Base Platform Technology as of the date of its contribution to XRA. That valuation determined a fair value of between \$890,000 and \$970,000 for the Base Platform Technology. As such, the 20,000,000 shares issued by XRA to acquire the Base Platform Technology had a fair value of between \$0.0445 and \$0.0485 per share.

On closing of the acquisition of XRA and the Financing, there were an aggregate of 67,044,584 Shares outstanding, of which:

- (i) the former shareholders of XRA held 40,000,000 Shares, or 59.66% of the outstanding Shares;
- (ii) the subscribers to the Financing held 3,490,450 Shares, or 5.21% of the outstanding Shares;
- (iii) the prior shareholders of the Issuer held 23,554,134 Shares, or 35.13% of the outstanding Shares.

Financing

In conjunction with the Share Exchange Agreement, the Issuer undertook a non-brokered private placement of \$1,221,658 through the issuance of 3,490,450 Units at a price of \$0.35 per Unit. Each Unit is comprised of one Share and one Unit Warrant, with each Unit Warrant entitling the holder to purchase one Share at \$0.75 per Share until June 13, 2022 and thereafter at \$1.00 until June 13, 2023.

Trends, Commitments, Events or Uncertainties

3.3 The market for XR related products has grown as the technology underlying XR has advanced. Recent trends point to increasing demands on AR/VR gaming and e-commerce due to COVID-19. The market for XR products is new and constantly changing as technology evolves; which creates uncertainty as to how changes will impact the Issuer, both in terms of offering and maintaining leading edge technology and competition from existing or new entities. See Section 17 – *Risk Factors*.

In addition, the recent COVID-19 pandemic is expected to have a material impact on the Issuer’s business. In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible at this time for the Issuer to predict the duration or magnitude of the impact of the outbreak and its effects on the Issuer’s business or ability to raise funds in the future. In the short-term, the XR sector has seen (i) an increase in the number of people and businesses seeking to utilize VR or XR as a means of interacting virtually with clients or customers, and in the gaming sectors. While these trends are positive for the Issuer’s business, it is not possible to determine the long-term effects of the pandemic and its impact on the general economy and the use of XR in particular.

Lack of funding and inadequate management are the major detriments to growth of start-up companies such as XRA. The Issuer believes that it has adequate funding to implement all strategic plans for growth; and that XRA has the depth of business, technical, and organizational experience to make it successful.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

The Issuer is a reporting issuer in each of British Columbia, Alberta and Ontario. It operates an active business through its subsidiary – XRA.

XRA is an Extended Reality (XR) solutions company formed by a group of senior developers. These individuals created a vertically agnostic proprietary Software Development Kit (SDK) platform for implementation of Augmented Reality/ Virtual Reality/ Mixed Reality (AR/ VR/ MR) experiences. While the SDK can be used in many sectors, XRA is initially targeting AR/VR cataloging for e-commerce, AR/VR games and the gamification of toys.

XRA will provide an overall platform solution of both SaaS and PaaS, and for AR, VR, and MR, and will seek to provide all components of the gaming ecosystem for its customers. XRA’s proprietary SDK platform will provide the foundation for outside developers to develop their games and other assets, as well as e-commerce applications such as Virtual Reality catalogs and on-line training.

Using its SDK platform, XRA has developed three separate products to demonstrate the various uses of the SDK platform, and is in the process of adapting a fourth product to become a VR game. Monetization of these four products is expected to commence in the upcoming months. In addition, it is XRA’s goal to enter into contracts for the creation of XR products for specific customers, whereby products developed will be monetized by the customer, and XRA will share in the revenues. By way of example only, the creator of a television series, or the owner of a popular toy or video game, may want an XR experience developed to complement its existing product.

XRA is a French company. It was incorporated on March 2, 2020. Its head office is located at 76 avenue de Selves, 24200, Sarlat-la-Canéda (Dordogne), France. XRA’s office space is a shared office provided by Uniqorn Incubation (“Uniqorn”), a private French company co-founded by Mr. Jean Vignon (a director of the Issuer). Uniqorn assists technology start-ups by providing a variety of services including

administration, marketing, and App and game publishing. Companies that rent space from Uniqorn have the option to use none, any or all of the services offered by Uniqorn. XRA currently utilizes Uniqorn's administrative services, and may elect to use some of its other services in the future. Operating a business in this manner required that XRA only register its business with the nearby commercial tribunal in Bergerac, France.

XRA, while a French company, with an office, bank account and administration based in France, has no employees resident in France. The two founders of XRA - Oleksiy Andriychenko and Kostiantyn Makeiev, are both resident in Berlin, Germany. Most of the software development is carried out remotely in various countries around the world, including the Ukraine, Germany and India.

The founders of XRA chose to incorporate in France as: (i) it provides for efficient IP protection regimes as well as specific tax incentives for the creation/holding/disposal of IP; (ii) it provides innovation tax credits for new technology companies, (iii) it offers residency visas for technology employees and apprenticeship programs for university technology graduates; (iv) IFRS is generally recognized as an accounting standard, and (v) foreign investors are free to open bank accounts and apply for loans in France, with no withholding tax applying to French source interest.

Doing Business in France

France is a member of the European Union (EU), and so enjoys the benefits of an open economic union with the other 26 members of the EU. As part of the EU, France is party to the Comprehensive Economic and Trade Agreement (CETA) with Canada. France is the third-largest economy in Europe and the sixth largest in the world in terms of GDP. Technology plays an important role in the French economy and its government invests heavily in R&D, creating a favorable foundation for innovation. The Sophia Antipolis technology park in Paris has the highest concentration of technology engineers outside Silicon Valley. Major global technology players have established a presence in the park including companies like Accenture, Cisco, Intel, IBM, Air France, and Orange.

XRA is a *société par actions simplifiée* (SAS), which allows for flexibility in setting up its capital structure, and is better suited when wholly owned by foreign shareholders. Establishing a new company or business in France is relatively simple. All of the tasks can be accomplished on-line or through France's *Centre de formalités des entreprises* (CFE). The cost of such administrative formalities is approximately €280. An operating business licence may be required in the local or regional jurisdiction of France in which operations take place. While incorporating a new company, one is required to: (i) where necessary, register internet domain names ending in ".fr" with a registration office designated by the French Internet Names and Cooperation Association (AFNIC); (ii) register the company with an insurance center for civil liability insurance; (iii) register with an employee retirement plan; and (iv) complete formalities relating to hiring each employee with the Union de recouvrement des cotisations de sécurité sociale et d'allocations familiales (URSSAF) (the agency responsible for collecting social security contributions).

There may be certain challenges and risks associated with carrying on business in France. As noted above, once established, businesses must be prepared to deal with the country's extensive and complex labor laws which have a special emphasis on employee rights and protections. Employment costs can run high due to the payroll taxes that employers are required to pay. France can also present some cultural challenges. While English is considered the main language used for business in most EU countries, in France, businesspeople and even visitors are expected to converse in French. The business environment is very formal, and individuals are expected to know the rank of their counterparts and act accordingly.

The operating currency of France is the Euro. As XRA incurs costs in Euros, U.S. and Canadian dollars; and expects to earn revenues in Euros and U.S. dollars, it will be subject to risks associated with currency

fluctuations between the Euro and the U.S. and the Canadian dollar. XRA has established its banking facilities in France, having satisfied all “know your client” and anti-money laundering prerequisites. See “*Risk Factors - Risks Associated with Carrying on Business in France*”.

Assignment of Base Platform Technology

On April 16, 2020, XRA entered into an assignment of intellectual property rights agreement with IT Craft, Oleksiy Andriychenko (CEO of XRA) and Kostiantyn Makeiev (CTO of XRA). IT Craft is a private German company, founded in 2010, controlled by Mr. Andriychenko and for which Mr. Makeiev is the CTO. IT Craft, Mr. Andriychenko and Mr. Makeiev were the owners (the “**Owners**”), holders, developers and inventors of all intellectual property rights pertaining to the Base Platform Technology. XRA acquired all of the Owners’ rights in and to the Base Platform Technology in consideration of issuing 20,000,000 shares of XRA to the Owners, representing 50% of the issued and outstanding XRA Shares at the time of issue.

The Owners invested approximately 5,200 man hours in developing the Base Platform Technology and initial apps based on the platform. Specifically, the Owners had made inroads with several verticals, which include:

- the development and deployment of the proprietary AR/VR SDK platform
- the acquisition of the Rifters AR shooters game
- the launch of the Balloon Pop AR children’s educational game
- the launch of the XRA immersive technologies news App
- the launch of the ARFlooring made easy App as part of XRA’s AR/VR Catalogue services

The assignment of the Base Platform Technology from the Owners to XRA was a non-arm’s length transaction. No valuation was undertaken in connection with the transaction. However the Issuer did subsequently obtain, in connection with the Share Exchange Agreement, an independent valuation of the Base Platform Technology as of the date of its contribution to XRA, which valuation determined a fair value of between \$890,000 and \$970,000.

The XRA Proprietary SDK Platform

XRA’s proprietary SDK platform has features that XRA believes make it more adaptable and user-friendly for game and e-commerce applications, and as such, to have an edge over products and services provided by comparative competitors. The XRA platform is built in such a way that it can be easily updated to accommodate new technology, rather than scrapping a platform and having to build a new one. This will save considerable time and expense for the customer, while providing a base platform that will stand up to future needs with lower future implementation costs. Also, XRA can update its proprietary platform to accommodate new technology as new innovations come to market which is a decided advantage when it comes to cost and time.

XRA can also take a customer’s AR graphic assets and develop a VR experience, such as a catalog, or make it into a VR game. One example of the latter is that XRA was engaged to adapt an existing game called “Rifters Shooting Game”, using its SDK platform, to transform it into a virtual reality game

Software-as-a-Service (SaaS)

Also known as cloud-based software, SaaS is now mainstream. From massive corporations to startups, cloud-based software was the default deployment method in 2020 for nearly every type of business

technology. SaaS is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted. It is sometimes referred to as "on-demand software".

SaaS is a method of software delivery that allows data to be accessed from any device with an internet connection and a web browser. In this web-based model, software vendors host and maintain the servers, databases, and the code that makes up an application. Business applications delivered via a web browser lack painful installations or strict contracts and are paid for over time instead of all at once. This usually makes the systems more flexible and affordable.

The cloud-based model is so common now that more than 60% of customers prefer web-based products, whereas less than 2% specifically ask for on-premises software. The traditional on-premises software delivery model differs from SaaS in two keyways:

- SaaS deployments do not require extensive hardware, which allows buyers to outsource most of the IT responsibilities typically required to troubleshoot and maintain the software in-house.
- SaaS systems are typically paid within a subscription model, whereas on-premises software is usually purchased through a perpetual license, paid upfront.

XRA intends to offer SaaS and custom development services.

Platform-as-a-Service (PaaS)

PaaS is a cloud service model in which developers outsource all the behind-the-scenes aspects of a web or mobile application so that they only have to write and maintain the frontend. PaaS vendors provide pre-written software for activities that take place on servers, such as user authentication, database management, remote updating, and push notifications (for mobile apps), as well as cloud storage and hosting.

These services are provided via the use of custom software development kits (SDKs) and application programming interfaces (APIs). PaaS is a relatively recent development in cloud computing, with most PaaS startups dating from 2011 or later. Although a fairly nascent industry, trends indicate that these services are gaining mainstream traction with enterprise consumers. PaaS allows developers to focus on the frontend of their applications and leverage backend services without building or maintaining them.

XRA intends to offer PaaS and custom development services.

Initial Products / Services

XRA's first four products are (i) a Technology News App; (ii) ARFlooring Made Easy, (iii) Balloon Pop, and (iii) a Rifiers AR Shooting Game. The first three products created by XRA demonstrate different uses of its Base Platform Technology being (i) a commercial app (the Technology News App), (ii) a retail / commercial consumer product (ARFlooring Made Easy), and (iii) a VR game (Balloon Pop). The Rifiers AR Shooting Game was acquired by XRA in May, 2020 and is being adapted to become a VR game.

In addition to the SDK platform, developed after approximately 5,200 man-hours, and independently valued at between \$890,000 and \$970,000 when vended into XRA, XRA has incurred costs in developing its four products, as summarized below:

| Product | Arm's Length Costs Incurred to Date | Use of Funds Expended |
|----------------------|--|--|
| Technology News App | \$45,000 | Out-of-pocket costs to third party developers and service providers. |
| ARFlooring Made Easy | \$30,000 | Out-of-pocket costs to third party developers and service providers. |

| | | |
|--------------------------|-----------|---|
| Balloon Pop | \$45,000 | Out-of-pocket costs to third party developers and service providers. |
| Rifters AR Shooting Game | \$285,000 | Arm's length game acquisition costs (\$60,000); and subsequent out-of-pocket costs to third party developers and service providers. |

Technology News App - shares the latest in cutting edge immersive reality products, news and developments. XRA will provide up to date developments on software and hardware innovations, from glasses and headsets to 360° games and mobile screens, that impact on alternate or virtual reality. XRA expended approximately \$45,000 in developing this App toward arm's length out-of-pocket costs to third party developers and service providers. The App is fully developed and available in Google Play and iOS. There were approximately 6,000 downloads of the App as of March 15, 2021.

ARFlooring Made Easy - is an app that can overlay flooring options into a photo of any space, so the consumer can see what the product will look like in their home. Research has determined that the impact of augmented reality on retail is substantial and provides a preferred purchasing experience with a lower rate of product return. The app will use Augmented Reality (AR), a technology that allows overlaying digital content like images, videos and 3D objects onto the real world, thereby give the illusion of being a part of it. XRA expended approximately \$30,000 in developing this App toward arm's length out-of-pocket costs to third party developers and service providers. The App is fully developed and available in Google Play and iOS. There were approximately 2,500 downloads of the App as of March 15, 2021. XRA is in negotiations to sell or customize uses of the App to specific manufacturers and retailers.

Balloon Pop - is an educational and fun app for children ages three and up. The app was developed in-house by XRA as a relatively simple example of an AR game. The balloon pop game allows users to pop balloons with virtual arrows while learning about numbers, colors, animals, and the like. XRA expended approximately \$45,000 in developing this game toward arm's length out-of-pocket costs to third party developers and service providers. The game is fully developed and available in Google Play and iOS. There were approximately 7,000 downloads of the App as of March 15, 2021.

Rifters AR Shooting Game - is a game being re-developed by XRA, and will feature AR-shooting and role-playing game elements. The game was acquired by XRA from an arm's length vendor for approximately \$60,000, and XRA has expended an additional \$225,000 toward arm's length out-of-pocket costs to third party developers and service providers in converting the game for use under XRA's Base Technology Platform. This game has not yet been launched for use. It is expected the game will launch during Q3 2021, and will require an additional \$75,000 to complete.

None of the four Apps or games developed to date by XRA are revenue generating. The Issuer intends to:

- (i) monetize the Technology News App once downloads reach 10,000 separate users, by selling advertising and sponsored content. No material additional costs are contemplated in this regard. Based on the past rate of downloads, it is expected that there will be 10,000 separate users by the end of Q3 of 2021; however there is no assurance as to if or when the expected number of users will materialize.
- (ii) monetize the ARFlooring Made Easy app by any combination of (i) selling or licencing the product to one or more wholesalers, retailers or manufacturers; (ii) advertising by flooring manufacturers or retailers; and (iii) commissions on sales of flooring materials made through the App. Additional costs in this regard are expected to be nominal.

- (iii) monetize the Balloon Pop App by the end of Q2 of 2021 through the launch of version 2.0 which will include sponsor advertising, up-grade payments and in-App purchases. Expected costs in this regard are estimated at \$20,000.
- (iv) monetize the Rifiers AR Shooting Game, once launched, through up-grade payments and in-App purchases. As with many mobile games, playing for free comes with certain limitations. To speed up the game or increase the user's rate of progression, they can purchase in-game currency to acquire certain upgrades. In addition, the game may (i) feature in-App advertising, the watching of which will provide the user with additional in-game currency they can spend on up-upgrades; and (ii) include sponsored events or locations within the game.

With respect to the disclosure above, there is no assurance that XRA will be successful in monetizing any of its products in the manner expected, or that XRA will realize significant revenues from any of the products.

The following table summarizes each product's stage of development, costs to complete its development, whether it has been launched, and the expected costs to monetize and market the product:

| Product | Stage of Development | Costs to Complete Development | Launched ¹ | Costs to Monetize ² / Market ³ |
|--------------------------|----------------------|-------------------------------|-----------------------|--|
| Technology News App | Completed | \$nil | Yes | \$nil / \$40,000 |
| ARFlooring Made Easy | Completed | \$nil | Yes | \$nil / \$30,000 |
| Balloon Pop | Completed | \$nil | Yes | \$20,000 / \$30,000 |
| Rifiers AR Shooting Game | Partially Completed | \$75,000 | No | \$nil / \$75,000 |

1. "Launched" means that the product has been fully developed, is available to be downloaded and used, and has been downloaded and used by multiple users.
2. "Monetize" means to derive revenue from users of the product; and "Costs to Monetize" means additional costs to be incurred by XRA to modify a product in such a way as to enable users to pay funds for certain additional features.
3. "Market" means marketing of a product by way of advertising, commissions to third parties, and the like; and "Costs to Market" means costs expected to be incurred by XRA toward marketing of each product.

In the longer term, XRA expects to earn the majority of its revenue from SaaS and PaaS contracts, whereby its SDK platform will be used to create XR games for third parties in return for development fees and future revenue sharing. While XRA is in discussions with several potential opportunities, no contracts are currently in place. XRA intends to engage salespeople or finders to assist with expanding its business in this area.

Competition

There are a significant number of companies involved in one or more of the AR, VR or MR sectors, most of which are larger than the Issuer, with much greater financial and human resources than the Issuer. Most of the larger company's design software for their own use, not for licensing or sale to others.

XRA has identified NexTech AR Solutions Inc. ("NexTech") as its primary comparative competitor. NexTech offers a variety of AR experiences to enhance employee engagement and learning, which is their niche. It is the Issuer's belief that the Issuer's SDK platform is more adaptable and user-friendly for game and e-commerce applications, and as such, it believes it has an edge over products and services provided by comparative competitors.

XRA has not identified a dominating competitor in the comparative AR/VR market, as the primary market focus has been on hardware competition.

XRA will seek to take advantage of the growing demands for PaaS and SaaS. XRA believes that agnostic software can thrive in today's market, and that XRA's proprietary SDK platform can solidify XRA's position in this market, particularly as there are no established frameworks or industry standards, and there does not appear to be any significant competitor focused on small and medium sized enterprises (SMEs) at this time.

Production and Sales

XRA proposes to produce its products / services as:

- SAAS – XRA uses third party contractors to provide technical services to the adaptation and implementation of this service for each particular user. A commission based sales team will be engaged to promote the use of XRA's services;
- Apps and Games - XRA uses third party contractors / developers to provide technical services to customize each product for the user.

Neither XRA nor the Issuer is subject to any material leases or mortgages. Each has minimal office space or exposure to rental expense, as the two principals work remotely and engage third party developers to do much of the coding.

Specialized skill and knowledge are effectively the only barriers to entry in the XR market. The two founders of XRA, Oleksiy Andriychenko and Kostiantyn Makeiev, provide XRA with the necessary skill and knowledge to enable XRA to carry on its business. XRA is highly dependent on their continued services (see "*Risk Factors*"). XRA does not engage any employees or personnel, other than Oleksiy Andriychenko and Kostiantyn Makeiev, at this time. Rather, XRA engages independent contractors to work on software development and product implementation.

The software underlying XRA's SDK platform is proprietary to XRA, and its composition is essential to the business operated by XRA. While protecting software is inherently challenging, XRA will seek to protect it in accordance with French law, and in each jurisdiction where it is considered prudent to do so.

New technology such as AR, VR, and MR, and their implementation are not seasonal or cyclical. The sector is expected to expand as 5G and accompanying hardware become more available.

XRA is not substantially dependent on any contract, such as a contract to sell the major part of its products or services, or to purchase any goods or services, or any licence or other agreement to use any intellectual property.

Business Objectives

The Issuer's business objectives that it expects to accomplish in the forthcoming 12 month period are:

- (i) to list its Shares for trading on the CSE;
- (ii) to finalize development of the Rifters AR Shooting Game;
- (iii) to upgrade the Balloon Pop App for monetization;
- (iv) to initiate promotion and monetization of XRA's four products, as listed above;
- (v) to use its proprietary SDK platform to create additional XR apps and games; and
- (vi) to raise sufficient financing to meet its needs as work demands require.

The Issuer's expected time frames and associated costs to accomplish its business objectives in the forthcoming 12-month period are summarized below:

| Business Objective | Budget CAD\$ | Timeframe |
|--|-------------------------|------------------|
| List on the CSE | \$95,000 | July, 2021 |
| Finalize development of the Rifiers AR Shooting Game | \$75,000 | October 2021 |
| Upgrade of the Balloon Pop App for monetization | \$20,000 | July 2021 |
| Promotion of the four Apps / Games | \$175,000 | July – Aug. 2021 |
| Develop additional XR Apps / Games | \$1,225,000 | July - Dec 2021 |
| Total: | \$1,590,000 | |

Funds Available

The Issuer's expected sources and uses of funds over the next 12 months are outlined below:

| Sources of Funds | Amount (C\$) |
|--|---------------------|
| Working Capital – Issuer – June 30, 2021 ¹ | \$1,729,000 |
| Working Capital – XRA – June 30, 2021 | \$178,000 |
| Net Amount Available | \$1,907,000 |
| | |
| Use of Funds | Amount (C\$) |
| List on the CSE | \$95,000 |
| Finalize development of the Rifiers AR Shooting Game | \$75,000 |
| Upgrade of the Balloon Pop App | \$20,000 |
| Promotion of first four Apps / Games | \$175,000 |
| Develop additional XR Apps / Games | \$1,225,000 |
| General and Administrative Expenses (12 months) ² | \$262,000 |
| Unallocated Working Capital | \$55,000 |
| Total | \$1,907,000 |

- Includes the Financing of \$1,221,658 which closed June 13, 2021, net of finder's fees and offering costs of \$95,000.
- The Issuer's general and administrative expenses are expected to consist of the following:

| G&A Expense | Amount |
|--------------------------------|------------------|
| Audit | \$25,000 |
| Legal and corporate | \$25,000 |
| Management fees | \$146,000 |
| Rent and other office costs | \$30,000 |
| Shareholder communication | \$6,000 |
| CSE monthly fee and SEDAR fees | \$18,000 |
| Office and miscellaneous | \$12,000 |
| Total | \$262,000 |

The Issuer may require additional financing to grow its business. There is no guarantee the Issuer will be successful in raising any such funds or finding a joint venture partner. The Issuer may also investigate other business opportunities in the XR sector.

4.2 The Issuer does not have any asset-backed securities outstanding.

5. SELECTED FINANCIAL INFORMATION

5.1 Annual Information

The Issuer's audited financial statements for the fiscal years ended July 31, 2020 and 2019 are attached hereto as Schedule "B" and are available on SEDAR. The Issuer's unaudited financial statements for the six months ended January 31, 2021 are attached hereto as Schedule "D", and the Issuer's unaudited financial statements for the nine months ended April 30, 2021 are attached hereto as Schedule "F", both of which are available on SEDAR. The following table provides certain financial data as extracted from the Issuer's audited financial statements for the fiscal years ended July 31, 2020, 2019, and 2018, as well as the Issuer's unaudited interim financial statements for the six months ended January 31, 2021 and the nine months ended April 30, 2021:

| | 9 Months Ended April 30, 2021 | 6 Months Ended Jan. 31, 2021 | Year Ended July 31, 2020 | Year Ended July 31, 2019 | Year Ended July 31, 2018 |
|-----------------------|----------------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Revenues | nil | nil | nil | nil | nil |
| G&A Expenses | \$399,585 | \$219,365 | \$384,394 | \$519,943 ¹ | \$1,411,243 ² |
| Income/(loss) | (\$327,909) | (\$200,696) | (\$319,034) ³ | (\$601,580) ⁴ | (\$1,417,744) ⁵ |
| Loss per share | (\$0.02) | (\$0.01) | (\$0.02) | (\$0.05) | (\$0.15) |
| Current Assets | \$1,398,459 | \$1,304,259 | \$739,598 | \$435,593 | \$458,086 |
| Total Assets | \$1,447,271 | \$1,365,178 | \$816,208 | \$463,593 | \$486,086 |
| Current Liabilities | \$148,182 | \$158,634 | \$135,824 | \$129,263 | \$149,200 |
| Long-term liabilities | \$nil | \$nil | \$6,169 | \$nil | \$nil |
| Shareholders' Equity | \$1,299,089 | \$1,206,544 | \$674,215 | \$334,330 | \$336,886 |

1. Includes write-downs of mineral property exploration and acquisition costs of \$146,349.
2. Includes write-downs of mineral property exploration and acquisition costs of \$883,677.
3. Includes other income of \$18,923, unrealized gain on investment of \$16,437, and write-off of accounts payable of \$30,000.
4. Includes unrealized loss on investments of \$81,941.
5. Includes unrealized loss on investments of \$37,158.

There were no factors affecting the comparability of the above data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions or major changes in the direction of the Issuer's business, other than as noted in the footnotes to the table above.

5.2 Quarterly Information

The results for each of the eight most recently completed quarters ending at the end of the most recently completed financial year, namely July 31, 2020, are summarized below:

| | July 31, 2020 | April 30, 2020 | Jan. 31, 2020 | Oct. 31, 2019 |
|--|------------------------|-----------------------|------------------------|------------------------|
| Revenue | \$nil | \$nil | \$nil | \$nil |
| Net Income (loss) | (119,229) ⁴ | (90,793) ³ | (84,369) ² | (18,643) ¹ |
| Basic and diluted income (loss) per common share | (0.02) | (0.00) | (0.00) | (0.00) |
| | July 31, 2019 | April 30, 2019 | Jan. 31, 2019 | Oct. 31, 2018 |
| Revenue | \$nil | \$nil | \$nil | \$nil |
| Net Income (loss) | (241,924) ⁷ | (82,360) | (129,993) ⁶ | (147,303) ⁵ |
| Basic and diluted income (loss) per common share | (0.02) | (0.00) | (0.00) | (0.00) |

1. Includes an unrealized gain on investments of \$37,284.
2. Includes an unrealized loss on investments of \$9,349.
3. Includes an unrealized loss on investments of \$12,893.
4. Includes other income of \$18,923, unrealized gain on investment of \$1,395, and write-off of accounts payable of \$30,000.
5. Includes an unrealized loss on investments of \$47,173.
6. Includes an unrealized loss on investments of \$16,062.
7. Includes an unrealized loss on investments of \$13,298.

5.3 Dividends

There are no restrictions in the Issuer's corporate articles on its ability to pay dividends. However, (i) the Issuer has never paid a dividend nor made a distribution on any of its securities, (ii) the Issuer has no history of income or sources of funds from which to pay dividends, and (iii) given the stage of the Issuer's development, it could be a long period of time before the Issuer may be in a position to pay dividends or make distributions to its shareholders.

The payment of any future dividends by the Issuer will be at the sole discretion of the Board. In this regard, the Issuer expects it will retain any earnings to finance further growth of the Issuer.

5.4 Foreign GAAP

The Issuer's financial information is not prepared or presented on the basis of foreign GAAP.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual MD&A

Please refer to Schedule "C" for the Issuer's MD&A pertaining to its July 31, 2020 annual financial statements.

Interim MD&A

Please refer to Schedule “E” for the Issuer’s MD&A pertaining to its January 31, 2021 interim financial statements; and to Schedule “G” for the Issuer’s MD&A pertaining to its April 30, 2021 interim financial statements.

7. MARKET FOR SECURITIES

The Issuer’s Common Shares were listed and posted for trading on the TSXV under the symbol “ZAD” from May 28, 2012 until the date the Issuer began trading on the CSE, although trading was halted on July 31, 2020 upon the Issuer announcing the proposed acquisition of XRA. The Issuer’s Shares are also listed or posted for trading on each of the Frankfurt Stock Exchange and the OTC Bulletin Board.

8. CONSOLIDATED CAPITALIZATION

The Issuer is authorized to issue an unlimited number of Common Shares. There are currently 67,044,584 Common Shares, 16,115,450 warrants and nil Stock Options issued and outstanding in the capital of the Issuer.

Since July 31, 2020, the following material changes have occurred with respect to the Issuer’s share and loan capital structure:

1. Effective June 23, 2021 the Issuer completed the Share Exchange Agreement and issued 40,000,000 Shares to the former shareholders of XRA.
2. Effective June 13, 2021 the Issuer closed the Financing and issued 3,490,450 Units, each Unit comprised of one Share and one Unit Warrant.

For further details about the Issuer’s outstanding securities, see Section 10 – Prior Sales.

9. OPTIONS TO PURCHASE SECURITIES

The Issuer under its stock option plan (the “Plan”) may issue options to acquire Shares in a quantity of up to 10% of the Issuer’s issued and outstanding Shares from time to time. The following is a brief description of the principal terms of the Plan:

Number of Shares Reserved. The maximum number of Shares which may be issued pursuant to options granted under the Plan shall not exceed 10% of the issued and outstanding Shares from time to time as at the date of grant.

Maximum Term of Options. The term of any options granted under the Plan is fixed by the board of directors and may not exceed 10 years from the date of grant. The options are non-assignable and non-transferable.

Exercise Price. The exercise price of options granted under the Plan is determined by the board of directors, provided that the exercise price is not less than the price permitted by the CSE. CSE policy provides that the minimum exercise price must not be lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.

Amendment and Cancellation. The terms of an option may not be amended once issued. If an option is canceled prior to the expiry date, the Issuer will post notice of the cancellation and shall not grant new options to the same person until 30 days have elapsed from the date of cancellation.

Vesting. Vesting, if any, and other terms and conditions relating to such options, shall be determined by the board of directors of the Issuer in accordance with CSE requirements.

Termination. Any options granted pursuant to the Plan will terminate generally within 90 days of the option holder ceasing to act as a director, officer, employee, management company or consultant of the Issuer or any of its affiliates, and generally within 30 days of the option holder ceasing to act as an employee engaged in investor relations activities, unless such cessation is on account of death. If such cessation is on account of death, the options terminate on the first anniversary of such cessation. If such cessation is on account of cause, or terminated by regulatory sanction or by reason of judicial order, the options terminate immediately.

Administration. The Plan is administered by the board of directors of the Issuer, or if the board of the Issuer so elects, by a committee, which committee consists of at least two board members.

Board Discretion. The Plan provides that, generally, the number of Shares subject to each option, the exercise price, the expiry time, the extent to which such option is exercisable, including vesting provisions, and other terms and conditions relating to such options shall be determined by the board of directors of the Issuer, all in accordance with CSE requirements.

General. Options that have been canceled or that have expired without having been exercised shall continue to be issuable under the Plan. The Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision or exchange of the Issuer's shares.

There are no stock options outstanding as of the date of this Listing Statement. The Issuer does anticipate granting options following the commencement of trading on the CSE. The Board has adopted a new stock option plan, as described above, which adheres to CSE requirements. This Plan has not yet been ratified by the Issuer's shareholders. Until such time as the Plan has been approved by its shareholders, the Plan will remain subject to the restrictions imposed under National Instrument 45-106, *Prospectus Exemptions*, when a stock option plan has not received shareholders' approval.

10. DESCRIPTION OF THE SECURITIES

As the date of this Listing Statement, the outstanding capital of the Issuer consists of the following, after giving effect to the acquisition of XRA and the Financing:

| Designation of Security | Number Authorized | Amount Outstanding ¹ |
|-------------------------|----------------------|---------------------------------|
| Common Shares | unlimited | 67,044,584 |
| Warrants | n/a | 16,115,450 |
| Stock Options | 10% of issued Shares | nil |

1. Includes 40,000,000 Shares issued to acquire XRA, and 3,490,450 Units issued under the Financing. See Item 10.6 below – Prior Sales.

10.1 **Common Shares:** The Issuer is authorized to issue an unlimited number of Common Shares, of which there are 67,044,584 Common Shares outstanding as of the date of this Listing Statement.

Each holder of a Common Share is entitled to: (i) one vote at all meetings of shareholders; (ii) a pro rata share of any dividends or other distributions declared payable by the Board; and (iii) a pro rata share of any distribution of the Issuer's assets on any winding up or dissolution of the Issuer. There are no pre-emptive rights; conversion or exchange rights; redemption, retraction, purchase for cancellation or surrender provisions; sinking or purchase fund provisions; provisions permitting or restricting the issuance of additional securities; or any other material restrictions or provisions requiring a security holder to contribute additional capital, which are applicable to the Issuer's Common Shares.

Warrants: There are 16,115,450 warrants outstanding as of the date of this Listing Statement, of which:

- (i) 7,375,000 warrants are exercisable at \$0.085 per Share until May 23, 2022;
- (ii) 2,250,000 warrants are exercisable at \$0.085 per Share until January 9, 2023;
- (iii) 3,000,000 warrants are exercisable at \$0.30 per Share until November 29, 2021; and
- (iv) 3,490,450 Unit Warrants are exercisable at \$0.75 per Share until June 13, 2022 and thereafter at \$1.00 until June 13, 2023.

All warrants are subject to anti-dilution provisions, such that in the event of any future consolidation, share split, corporate re-organization or similar event, the number of Shares that may be acquired and exercise price of the warrants will be adjusted accordingly.

10.2 **Debt securities:** The Issuer has no debt securities that are to be listed on the CSE.

10.3 **Other securities:** The Issuer has no other securities that are to be listed on the CSE.

10.4 **Modification of terms:** The rights and restrictions applicable to the Common Shares may only be modified by special resolution of the shareholders, at a duly called meeting.

10.5 **Other Attributes:** There are no rights attaching to the Common Shares that are materially limited or qualified by the rights of any other class of securities, nor is there any other class of securities which ranks ahead of or equally with the Common Shares.

10.6 **Prior Sales**

The following table sets out the sales of the Issuer's securities since July 31, 2019, at which time there were 17,679,134 Shares outstanding:

| Date of issuance | Security Issued | No. of Securities Issued | Price per security (\$) | Value received (\$) | Type of transaction |
|------------------|--------------------|--------------------------|-------------------------|---------------------|---------------------|
| January 9, 2020 | Units ¹ | 2,500,000 | \$0.065 | \$162,500 | Private Placement |
| May 29, 2020 | Units ² | 3,000,000 | \$0.15 | \$450,000 | Private Placement |
| June 9, 2020 | Shares | 250,000 | \$0.085 | \$21,250 | Warrant Exercise |
| January, 2021 | Shares | 125,000 | \$0.085 | \$10,625 | Warrant Exercise |
| June 13, 2021 | Units ³ | 3,490,450 | \$0.35 | \$1,221,658 | Private Placement |
| June 23, 2021 | Shares | 40,000,000 | \$0.30 | \$12,000,000 | Acquisition of XRA |

1. Each unit consists of one Share and one warrant; each warrant exercisable to acquire one Share at \$0.085 per Share until January 9, 2023.

2. Each unit consists of one Share and one warrant; each warrant exercisable to acquire one Share at \$0.30 per Share until November 29, 2021.
3. Units issued pursuant to the Financing. Each Unit consists of one Share and one Unit Warrant; each Unit Warrant exercisable to acquire one Share at \$0.75 per Share until June 13, 2022, and thereafter at \$1.00 until June 13, 2023.

10.7 Stock Exchange Price: The Issuer's common shares were formerly traded on the TSXV until July 31, 2020, when the Issuer's shares were halted. Since that date, the Issuer's Shares have not been traded on any stock exchange or market.

The following table sets out the market price range and trading volumes of the common shares of the Issuer on the TSXV for the periods indicated:

| Period | High (\$) | Low (\$) | Volume |
|--------------------------------------|-----------|----------|-----------|
| July 31, 2020 – present ¹ | n/a | n/a | n/a |
| May 1, 2020 – July 30, 2020 | 0.345 | 0.215 | 1,745,009 |
| Feb. 1, 2020 – April 30, 2020 | 0.22 | 0.013 | 1,137,888 |
| Nov. 1, 2019 – Jan. 31, 2020 | 0.165 | 0.075 | 692,113 |
| Aug. 1, 2019 – October 31, 2019 | 0.125 | 0.10 | 129,408 |
| May 1, 2019 – July 30, 2019 | 0.13 | 0.105 | 333,042 |

1. Trading of the Issuer's shares was halted July 31, 2020, upon announcement of the intended acquisition of XRA.

11. ESCROWED SECURITIES

There are 36,500,000 Shares which are subject to an escrow agreement dated June 17, 2021.

| Designation or Class | Number of Securities Currently Held in Escrow | Percentage of Class |
|----------------------|---|---------------------|
| Common Shares | 36,500,000 | 54.44% |

Shares held in escrow are done so in accordance with National Policy 46 – 201, *Escrow for Initial Public Offerings* (“NP 46-201”), which sets out a national escrow regime applicable to initial public distributions. Pursuant to that policy, the Issuer is deemed to be an “emerging issuer”, such that the Shares will be released over a period of three years, as to 10% on listing, and an additional 15% every six months thereafter. The Issuer's transfer agent, Computershare Trust Company of Canada, is the escrow agent named in the escrow agreement to administer the escrowed shares.

The following is a list of those shareholders who currently own Escrowed Shares, being all of the former shareholders of XRA except for the shareholders who paid at least \$0.02 per share of XRA:

| Shareholder | Number / % |
|--|---------------------|
| Oleksiy Andriychenko | 10,000,000 / 14.92% |
| Kostiantyn Makeiev | 10,000,000 / 14.92% |
| The Time Traveler Issuer Ltd. ¹ | 5,000,000 / 7.46% |
| Mobcast ² | 5,000,000 / 7.46% |
| Bua Capital Management ³ | 3,500,000 / 5.22% |
| 1177129 Alberta Ltd. ⁴ | 2,500,000 / 3.73% |

| | |
|---------------------------|----------------------------|
| Spyrock Inc. ⁵ | 500,000 / 0.75% |
| Total | 36,500,000 / 54.44% |

1. A private company controlled by John May.
2. A private company controlled by Dom Einhorn.
3. A private company controlled by Jason Walsh.
4. A private company controlled by International Ranger Corp., a public company listed on the OTC.
5. A private company controlled by Alexandria (Sasha) Stone.

NP 46-201 imposes escrow restrictions on “principals”, who are generally defined as directors, senior officers, promoters and significant shareholders. In this instance, each of Oleksiy Andriychenko and Kostiantyn Makeiev are considered “principals”. The remaining escrowed shareholders (all being former shareholders of XRA) have voluntarily agreed to place their Shares in escrow.

12. PRINCIPAL SHAREHOLDERS

To the knowledge of our directors and officers, there is no person who beneficially owns, as of the date hereof, directly or indirectly, or exercises control or direction over, more than 10% of our Shares, other than each of Oleksiy Andriychenko and Kostiantyn Makeiev who hold 10,000,000 Shares each (received pursuant to the Share Exchange Agreement), each representing 14.92% of the Issuer’s outstanding Shares.

To the knowledge of the Issuer, there are no Shares held, or to be held, subject to any voting trust or other similar agreement.

13. DIRECTORS AND OFFICERS

13.1-13.2 The below table lists the name and municipality of residence of each director and executive officer of the Issuer, and indicates their respective positions and offices held with the Issuer, the period or periods during which each director has served as a director, and their respective principal occupations within the five preceding years:

| Name, Municipality of Residence and Offices Held | Date Appointed | Principal Occupation |
|--|----------------|---|
| Lior Ishai <i>CEO</i> Squamish, B.C. | June 23/21 | CEO of Plexus Media, a private marketing agency, since 2016. Co-founder of UntappedLab, a private marketing technology company, since 2016. Previously, a co-founder of EtsyMarketing Tool, a private SaaS company, from 2011 to 2018; and director of marketing for PTPA Media, a private marketing agency, from 2015 to 2016. |
| Oleksiy Andriychenko <i>Director</i> Berlin, Germany | June 23/21 | CEO and founder of XRA. Founder and CEO, IT Craft YSA GmbH and of SmarToys (a private company developing toys to complement AR/VR games), since 2006. |
| Kostiantyn Makeiev <i>CTO, Director</i> Berlin, Germany | June 23/21 | CTO of XRA. Software engineer and CTO, IT Craft YSA GmbH, since 2013. |

| Name, Municipality of Residence and Offices Held | Date Appointed | Principal Occupation |
|---|----------------|---|
| Mark Tommasi <i>Chairman, Director</i> North Vancouver, B.C. | Apr. 9/10 | Capital markets consultant. Current and past director and officer of several private and public companies. |
| Jean Vignon <i>Director</i> Heillecort, France, | June 23/21 | Co-founder and CFO, UNIQORN Incubator-Accelerator, a private French company that assists technology start-ups, since 2019. Chief Purchasing Officer, Berger-Levrault, a private French company that specialized in software publishing, 2006 to 2018. |
| Yana Bobrovskaya <i>Director</i> Vancouver, B.C. | Sept. 21/15 | Director of the Issuer. Current and past corporate development services provider to several public companies. .Director of four other public companies. See Item 13.11 below for details. |
| Geoffrey Watson <i>CFO and Corporate Secretary</i> North Vancouver, B.C. | Dec. 31/11 | Owner and consultant, GRWiNC Corporate Services (his personal accounting firm), since 2011. CFO of Global Li-Ion Graphite Corp. (CSE: LION), a junior mineral exploration company, since January 2015. CFO of THC BioMed Intl Ltd. (CSE: THC), a Canadian company involved in the production and sale of cannabis, from October 2010 to November 2015; and CFO of Eagle Mountain Gold Corp. (TSXV: Z), a junior mineral exploration company, from 2012 to 2014. |

Each of Oleksiy Andriychenko (director), Kostiantyn Makeiev (CTO and director) and Jean Vignon (director) resides outside of Canada; and each has appointed the law firm of Owen Bird Law Corporation (OBLC) as his agent for service of process in Canada. It may not be possible to enforce judgments obtained in Canada against any of these persons in their country of residence, even if they have appointed OBLC as their agent for service of process.

13.3 The directors and officers of the Issuer as a group, beneficially own, directly or indirectly, or exercise control or direction over a total of 20,861,900 Common Shares, representing approximately 31.12% of the total votes attached to the Issuer's issued and outstanding Common Shares.

13.4 The Board has one committee, being the Audit Committee which is comprised of Mark Tommasi, Yana Bobrovskaya (chair), and Jean Vignon. Each of Yana Bobrovskaya and Jean Vignon can be considered to be independent directors.

13.6 No director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,

except that Yana Bobrovskaya was an officer of Global Uranium Corp. during the period from September 27, 2010 to June 6, 2011 when Global Uranium Corp. was subject to a cease trade order issued by the British Columbia Securities Commission for failure to file a compliant technical report in a timely manner.

13.7 No director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

13.9 No director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

13.10 *Conflicts of Interest*

The Issuer's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies and as such conflicts of interest may occur with respect to business opportunities, or to the extent that such other companies may participate in a venture in which the Issuer may participate, the directors of the Issuer may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that any conflict of interest arises at a meeting of the Issuer's directors, a director who has such a conflict is required under the BCBCA to disclose such interest and abstain from voting for or against the matter. This will help to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. The directors of the Issuer are required to act honestly in good faith and in the best interests of the Issuer.

The directors and officers of the Issuer are aware of the provisions of the BCBCA governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest, and the Issuer will rely upon such provisions in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA and the directors and officers shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Issuer are not aware of any such conflicts of interest.

13.11 *Management*

Further information on the business experience and professional qualifications of our directors, officers and promoters is set forth below:

Lior Ishai – CEO

Mr. Ishai, age 42, is an executive with over 16 years of experience leading teams and growth of private and publicly-held companies in the technology, finance, cannabis, and health sectors. Mr. Ishai has a background in investor marketing and technology, and co-founded and is CEO (since 2016) of Plexus Media an investor marketing firm, and co-founded (in 2016) UntappedLab, the first investor marketing technology platform for retail investor awareness, engagement, and acquisition. Previously, he was a co-founder of EtsyMarketing Tool (from 2011 to 2018), a private SaaS company; and director of marketing for PTPA Media, (from 2015 to 2016) a private marketing agency.

Mr. Ishai is an employee of the Issuer, and, in his capacity as CEO, will dedicate a minimum of 60% of his time to the affairs of the Issuer. Mr. Ishai is subject to a written employment agreement with the Issuer which contains non-competition and confidentiality provisions.

Oleksiy (Aleksey) Andriychenko – Director

Mr. Andriychenko, age 40, is a current director of XRA. He is also (i) the CEO and founder (since October 2016) of IT Craft YSA GmbH, a private German software company, and (ii) CEO and founder of SmarToys (a private company developing toys to complement AR/VR games). Mr. Andriychenko founded his first business in 2002 and held key positions in senior sales, marketing, and business development. He specializes in Software Development as a Service, AR and VR Apps and IoT solutions. Mr. Andriychenko took his Master of Arts degree at the V. N. Karazin Kharkiv National University in Russia.

Mr. Andriychenko is not an employee of the Issuer, and, in his capacity as a director, will dedicate a minimum of 10% of his time to the affairs of the Issuer. Mr. Andriychenko is not currently subject to any written non-competition and confidentiality agreement with the Issuer.

Kostiantyn (Constantine) Makeiev – CTO and Director

Mr. Makeiev, age 38, is the CTO at XRA, and is CTO at IT Craft YSA GmbH. His background includes experience as a software engineer, and management responsibilities in the tech sector. As a manager of product development, he was responsible for team management, human resources, service quality, strategic planning, and mentoring. His project development experience includes managing teams to create software requirement specifications, conducting negotiations with customers, setting priorities, defining milestones and schedules, and participating in making architectural and technology-related decisions, and was responsible for delivering cutting-edge reliable projects within a defined timescale and budget.

Mr. Makeiev is an experienced web developer, including full cycle web-sites development, new projects, supporting existing systems, application architecture defining, database architecture specifying, queries tuning, stored procedures creation, and server-side and client-side code writing. As a PLC Programmer and software engineer, he is experienced in industrial automation system creation, creating proposals for development, system requirements specification, HMI panels configuring, testing, and commissioning of the system.

Mr. Makeiev took his Master's in Business Administration and Management at the University of Warwick - Warwick Business School after obtaining his Postgraduate certificate in MBA through the Open

University in England. He also holds a master's degree in Computer Science from the National Aerospace University also known as the Kharkiv Aviation Institute in Ukraine.

Mr. Makeiev is an employee of the Issuer, and, in his capacity as CTO and a director, will dedicate a minimum of 60% of his time to the affairs of the Issuer. Mr. Makeiev is subject to a written employment agreement with the Issuer which contains non-competition and confidentiality provisions.

Mark Tommasi – Chairman and Director

Mr. Tommasi, age 48, is a former investment advisor and has served as a senior officer, director and financier of numerous public and private companies in both the United States and Canada. Mr. Tommasi has over 25 years of experience in corporate development, equity, private equity and venture capital financing, IPO's and private placements, marketing, investor relations as well as board and committee activities in junior agriculture, technology, exploration, and oil and gas companies. He played an integral role in the corporate marketing team that successfully attained TSX Venture 50 ranking for two consecutive years and is a member of the Prospectors and Developers Association of Canada. He has been a director of a number of public companies over the years.

Mr. Tommasi is not an employee of the Issuer, and, in his capacity as a director and member of the Audit Committee, will dedicate a minimum of 10% of his time to the affairs of the Issuer. Mr. Tommasi is not currently subject to any written non-competition and confidentiality agreement with the Issuer.

Jean Vignon – Director

Mr. Vignon, age 50, is the co-founder and Chief Financial Officer of UNIQORN, an Incubator-Accelerator, a private French company that assists technology start-ups. He has over 25 years of experience in building, strengthening and leading growth-minded companies into international markets. His past positions held include Chief Purchasing Officer for Berger-Levrault, a private French company that specialized in software publishing. He was also a co-founder of two other successful international businesses, (i) DelConsulting, which provides integrated solutions for telecommunications and other IT related services seeking expertise in network rollout, operation and maintenance, and (ii) AllForSite, which supplies telecom infrastructure products and provides telecom-oriented logistics services. Mr. Vignon completed his education at the Lycée Militaire de Saint-Cyr and the Université de Lorraine, France, earning a Bachelor of Sciences degree in Mathematics.

Mr. Vignon is not an employee of the Issuer, and, in his capacity as a director and member of the Audit Committee, will dedicate a minimum of 15% of his time to the affairs of the Issuer. Mr. Vignon is not currently subject to any written non-competition or confidentiality agreement with the Issuer.

Yana Bobrovskaya – Director

Ms. Bobrovskaya, age 38, has acted as a director of the Issuer since September 2015. Ms. Bobrovskaya has over 10 years of international business experience and is familiar with business practices, strategic planning, and global communications. Ms. Bobrovskaya provides corporate development services to Global Li-ion Graphite Corp. (a CSE listed company that is involved in the exploration for graphite in several jurisdictions including Madagascar, Manitoba, the Northwest Territories and Nevada). Ms. Bobrovskaya is also a director of JNC Resources Inc. since April 2019 (a CSE listed company involved in exploring certain mineral projects in British Columbia and Nevada); Power Group Projects Corp. since April 2020 (a TSXV listed company involved in mineral exploration in Newfoundland and Ontario); Ross River Minerals Inc. since July 2020 (a TSXV listed company historically involved in mineral exploration, but which seeks to get into the cannabis sector); and Red Rock Capital Corp. since September 2020 (a former capital pool company listed on the NEX board of the TSXV). Previously, she provided corporate

development services to each of: Lite Link Technologies Inc. from July 2018 to January 2020 (a CSE listed company that is involved in artificial intelligence, smart contract technology, and digital remittances); Standard Lithium Ltd. from July 2018 to June 2019 (a TSXV listed company involved in lithium exploration); Dolly Varden Silver Corp. from February 2014 to November 2015 (a TSXV listed company involved in mineral exploration in B.C.); and Cortez Gold Corp from January 15 to April 2015 (a company formerly involved in silver processing in Mexico)..

Ms. Bobrovskaya received a graduate degree (Bachelor of Civil Law (B.C.L) / Bachelor of Law (LL.B) from Voronezhsky State University, and an undergraduate degree in Business Administration from Camosun College.

Ms. Bobrovskaya is not an employee of the Issuer, and, in her capacity as a director and member of the Audit Committee, will dedicate a minimum of 15% of her time to the affairs of the Issuer. Ms. Bobrovskaya is not currently subject to any written non-competition or confidentiality agreement with the Issuer.

Geoffrey Watson – Chief Financial Officer and Corporate Secretary

Mr. Watson, age 57, is the CFO of the Issuer. He also provides accounting and back-office services for other private and public companies through GRWiNC Corporate Services (a private company operated by Mr. Watson). Mr. Watson is a Registered Mortgage Broker in B.C. He attended the Canadian Securities Institute in Toronto, Canada, where he completed the TSX Internal control workshop and the TSX Venture filing fundamentals course. Mr. Watson is currently the CFO for of Global Li-Ion Graphite Corp. (CSE: LION), a junior mineral exploration company, since January 2015; and previously acted as CFO of Eagle Mountain Gold Corp. (TSXV: Z) a junior mineral exploration company from 2012 to 2014; and THC BioMed Intl. Ltd. (CSE: THC), a Canadian company involved in the production and sale of cannabis, from 2010 to 2015.

Mr. Watson is a contractor to the Issuer, and, in his capacity as CFO, will dedicate a minimum of 25% of his time to the affairs of the Issuer. Mr. Watson is not currently subject to any employment agreement or other written non-competition and confidentiality agreement with the Issuer.

Advisors

The Issuer has engaged two advisors to offer business advice on an as-needed basis. The Advisors will not be compensated for their time in providing such advice, but (i) may receive stock options under the Issuer's stock option plan, and (ii) may receive monetary compensation if they are specifically engaged to undertake time consuming services for or on behalf of the Issuer.

Dom Einhorn

Mr. Einhorn is a founder and CEO at UNIQORN, an Incubator-Accelerator, and an experienced leader in the field of digital marketing. Mr. Einhorn is the founder of M6 Limited, a UK-based holding company. Its primary assets are Mobcast (a media distribution and content marketing platform) and Born2Invest, a business finance platform. He is also the founder of Exponential Inc. (XPO²), a cause-related technology marketing company that develops and promotes a white label e-commerce platform engineered to drive fundraising revenue on behalf of charities and NGOs worldwide. Mr. Einhorn attended the Lycée Militaire de Saint-Cyr, which is a preparatory class for the Grandes Écoles, followed by a master's degree in German Studies and Humanities at the University of Strasbourg, France. Mr. Einhorn will advise on digital marketing and awareness for XRA's products and brands.

Jason Walsh

Mr. Walsh is the founder of Incubara Capital, a strategic capital partner that provides incubation and early-stage funding to disruptive technology companies. Incubara Capital mentors it incubated companies

through growth, management, execution and capital, and it is this expertise that XRA will benefit from. Mr. Walsh is also the current President at Bua Capital Management Ltd. (a private company involved in assisting companies go public), and past Chairman of Global Li-Ion Graphite Corp. (a public junior resource exploration company listed on the CSE). Mr. Walsh will advise on capital raising, mergers and acquisitions, and related matters.

14. CAPITALIZATION

The following tables provide information about our capitalization as of the date of this Listing Statement, and refer to our outstanding Common Shares:

| Issued Capital | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | % of Issued (non-diluted) | % of Issued (fully diluted) |
|--|---|---|----------------------------------|------------------------------------|
| <u>Public Float</u> | | | | |
| Total outstanding (A) | 67,044,584 | 83,160,034 ¹ | 100% | 100% |
| Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 30,861,900 | 31,761,900 | 46.03% | 38.19% |
| Total Public Float (A-B) | 36,182,684 | 51,398,134 | 53.97% | 61.81% |
| <u>Freely-Tradeable Float</u> | | | | |
| Number of outstanding securities subject to resale restrictions including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | 39,990,450 ² | 43,480,900 ² | 59.65% | 52.29% |
| Total Tradeable Float (A-C) | 27,054,134 | 39,679,134 | 40.35% | 47.71% |

1 Includes 16,115,450 warrants.

2 Means the 36,500,000 Shares held in escrow, and the 3,490,450 Units issued under the Financing.

Public Security holders (Registered)

For the purposes of this table, “public security-holders” are registered shareholders other than related persons enumerated in section (B) of the previous chart.

| <u>Size of Holding</u> | <u>Number of holders</u> | <u>Total number of Shares</u> |
|--------------------------|--------------------------|-------------------------------|
| 1 – 99 securities | 1 | 1 |
| 100 – 499 securities | | - |
| 500 – 999 securities | | - |
| 1,000 – 1,999 securities | | - |
| 2,000 – 2,999 securities | | - |
| 3,000 – 3,999 securities | | - |
| 4,000 – 4,999 securities | | - |
| 5,000 or more securities | 9 | 23,429,133 |
| Totals | 10 | 23,429,134 |

Public Security holders (Beneficial)

The following table includes (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings.

| <u>Size of Holding</u> | <u>Number of holders</u> | <u>Total number of Shares</u> |
|--------------------------|--------------------------|-------------------------------|
| 1 – 99 securities | 24 | 1,059 |
| 100 – 499 securities | 93 | 21,569 |
| 500 – 999 securities | 39 | 25,510 |
| 1,000 – 1,999 securities | 38 | 45,866 |
| 2,000 – 2,999 securities | 23 | 50,295 |
| 3,000 – 3,999 securities | 14 | 43,200 |
| 4,000 – 4,999 securities | 2 | 8,000 |
| 5,000 or more securities | 105 | 20,828,009 |
| Unable to confirm | | |
| Totals | 358 | 21,163,427 |

Non-Public Security holders (Registered)

The following table includes "non-public security holders", being those related persons enumerated in section (B) of the issued capital chart.

| <u>Size of Holding</u> | <u>Number of holders</u> | <u>Total number of Shares</u> |
|--------------------------|--------------------------|-------------------------------|
| 1 – 99 securities | - | - |
| 100 – 499 securities | - | - |
| 500 – 999 securities | - | - |
| 1,000 – 1,999 securities | - | - |
| 2,000 – 2,999 securities | - | - |
| 3,000 – 3,999 securities | - | - |
| 4,000 – 4,999 securities | - | - |
| 5,000 or more securities | 9 | 30,861,900 |
| Totals | 9 | 30,861,900 |

14.2 The following table details securities convertible or exchangeable into Shares.

| Description of Security (include conversion / exercise terms, including conversion / exercise price) | Number of convertible / exchangeable securities outstanding | Number of Common Shares upon conversion / exercise |
|---|--|---|
| Share Purchase Warrants (exercisable at \$0.085 until May 23, 2022) | 7,375,000 | 7,375,000 |
| Share Purchase Warrants (exercisable at \$0.085 until Jan. 9, 2023) | 2,250,000 | 2,500,000 |
| Share Purchase Warrants (exercisable at \$0.30 until Nov. 29, 2021) | 3,000,000 | 3,000,000 |
| Unit Warrants (exercisable at \$0.75 until June 13, 2022, and thereafter at \$1.00 until June 13, 2023) | 3,490,450 | 3,490,450 |

14.3 There are no other Shares reserved for issuance that are not included in section 14.2.

15. EXECUTIVE COMPENSATION

See “Statement of Executive Compensation” in Schedule “A” hereto.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Issuer, nor any proposed nominee for election as a director of the Issuer, and no associate of any such director, executive officer or proposed nominee,

- (a) is, or at any time since the beginning of the most recently completed financial year of the Issuer has been, indebted to the Issuer or any of its subsidiaries, or
- (b) has or had any indebtedness to any other entity, that is or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.

17. RISK FACTORS

The Issuer’s business, operating results and financial condition could be adversely affected by any of the risks outlined below. These risks and uncertainties are not the only ones facing the Issuer. Additional risks and uncertainties not currently known to the Issuer, or that the Issuer currently deems immaterial, may also impair the operations of the Issuer. If any such risks actually occur, the financial condition, liquidity and results of operations of the Issuer could be materially adversely affected and the ability of the Issuer to implement its growth plans could be adversely affected.

An investment in the Issuer’s Shares is speculative and will be subject to material risks; and investors should not invest in securities of the Issuer unless they can afford to lose their entire investment.

General Risks Concerning the Securities of the Issuer

Market Risk for Securities

There can be no assurance that an active trading market for the Issuer's Shares will be sustained. The market price for the Issuer's Shares may be subject to wide fluctuations. Factors such as government regulation, demand for XR products, the recent COVID-19 pandemic, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Issuer's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

COVID-19 Outbreak

On March 11, 2020, the World Health Organization declared the outbreak of novel strain of coronavirus ("COVID-19") a global pandemic. In response to the outbreak, governmental authorities in Canada and other countries introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. To date, the COVID-19 outbreak and the response of governmental authorities to try to limit it have had a significant impact on the XR industry, in that individuals and companies have been forced to undertake activities virtually rather than in person, which seems to have accelerated the demand for XR related products. However an expanded global spread of COVID-19 could have an adverse impact on the Issuer's investments and financial results. The continued spread of COVID-19 globally could also lead to a deterioration of general economic conditions including a possible global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Issuer's business, operations or financial results; however, the impact could be material.

Possible Dilution

Expanding operations will require additional capital; and the ongoing costs of operations may not generate positive cash flow for the near or long term. The Issuer's ability to secure any required financing to expand operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Issuer will be successful in its efforts to secure any additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional shares from treasury, control may change and shareholders may suffer dilution.

Public Market

An active trading market of the Issuer's Shares may not develop or, if it does develop, may not be sustained. The lack of an active market may:

- (i) impair shareholders' ability to sell their Shares at the time they wish to sell them or at a price that they consider reasonable;
- (ii) reduce the fair market value and increase the volatility of the Shares; and
- (iii) impair the Issuer's ability to raise capital by selling Shares and to acquire other exploration properties or interests by issuing Shares as consideration.

Volatility of Share Prices

Share prices are subject to change because of numerous factors including reports of new information, changes in our financial situation, the sale of Shares in the market, failure to achieve financial results in line with the expectations of analysts, announcements concerning results, general economic conditions,

legislative changes, and other events and factors outside of the Issuer's control.. There is no guarantee that the market price of the Shares will be protected from any such fluctuations in the future.

General Risks Concerning the Business of the Issuer

Limited History of Operations

The Issuer has a limited history of developing platforms for virtual and augmented reality software, and has no history of production, cash flow, revenue, or profitability. There is no assurance that the Issuer will ever achieve revenues or profitability.

Changing Technology

The software industry is subject to rapid technological change. Our ability to attract new customers and increase revenue from existing customers will depend in large part on our ability to enhance and improve our products or solutions, to introduce new features and services in a timely manner, to sell into new markets and to further penetrate our existing markets. The success of any enhancement or new feature or service depends on several factors, including the timely completion, introduction and market acceptance of the enhancement or new feature or service. Any new feature or service we develop or acquire may not be introduced in a timely or cost-effective manner and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which we attempt to sell our solutions, including new vertical markets and new countries or regions, may not be receptive. If we are unable to successfully develop or acquire new features, products or services, enhance our existing product or services to meet customer requirements, sell products and services into new markets or sell our product and services to additional customers in our existing markets, our revenue will not grow as expected. Moreover, we are frequently required to enhance and update our product and services as a result of changing standards and technological developments, which makes it difficult to recover the cost of development and forces us to continually qualify new features with our customers.

Defects, Bugs, or Errors

The Issuer's current products and services are extremely complex software programs and are difficult to develop and distribute. The Issuer will have quality controls in place to detect defects, bugs or other errors in its products and services before they are released, however these quality controls are subject to human error, overriding, and resource or technical constraints. In addition, the effectiveness of its quality controls and preventative measures may be negatively affected by the distribution of the Issuer's workforce resulting from the COVID-19 pandemic. As such, these quality controls and preventative measures may not be effective in detecting all defects, bugs or errors in its products and services before they are released into the marketplace. In such an event, the technological reliability and stability of the Issuer's products and services could be below its standards and the standards of its users and its reputation, brand and sales could be adversely affected. In addition, the Issuer could be required to, or may find it necessary to, offer a refund for the product or service, suspend the availability or sale of the product or service or expend significant resources to cure the defect, bug or error each of which could significantly harm our business and operating results.

Competition

Significant and increasing competition exists within the technology sector in which XRA operates. There are a number of large established companies with substantial capabilities and greater financial and technical resources than the Issuer. The Issuer may be unable to compete with such entities.

Because of the early stage of the industry in which XRA operates, the Issuer expects to face additional competition from new entrants. The Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive,

the Issuer will require a continued high level of investment in research and development, marketing, sales, and client support. Upon completion of the Listing, the Issuer may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Issuer.

Requirement for Further Financing

In order to scale competitively, the Issuer will require further financing in order to acquire, or build out, existing and future assets. While the Issuer will have sources of operating revenue, there is no guarantee that this will meet the required amounts to meet its business growth objectives. There is no assurance that funds will be available to the Issuer, or be available at terms acceptable to it. Failure to obtain additional capital on a timely basis could have a material adverse effect on the Issuer, and could cause it to forfeit its interest in some, or all, of its intellectual properties, and reduce or terminate its operations.

COVID-19 pandemic

The Issuer's business, operations and financial condition could be materially adversely affected by public health crises, including epidemics, pandemics and/or other health crises, such as the outbreak of COVID-19. The current COVID-19 global health pandemic is significantly impacting the global economy and financial markets. The full extent and impact of the COVID-19 pandemic is unknown, but to date has included extreme volatility in financial markets, a slowdown in economic activity, volatility in stock exchange indices and individual public company share prices, and increased prospects of a global recession. The international response to COVID-19 has led to significant restrictions on travel, social and physical distancing measures, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity, globally. Public health crises, such as the COVID-19 outbreak, can result in operating, supply chain and project development delays that can materially adversely affect the operations of the Issuer. The Issuer operations could be suspended as actions are taken in an effort to combat the spread of COVID-19. If the operations are further suspended or delayed, it may have a material adverse impact on the Issuer's results of operations, financial condition and the trading price of the common shares.

The risks to the Issuer's business associated with COVID-19 include, without limitation, risks related to breach of material contracts, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, prolonged restrictive measures put in place in order to control the pandemic and future outbreaks or other adverse public health developments globally and other factors that will depend on future developments beyond the Issuer's control, which may have a material and adverse effect on the Issuer's business, financial condition and results of operations. In addition, the Issuer may experience business interruptions as a result of suspended or reduced operations, relating to the COVID-19 outbreak or such other events that are beyond the control of the Issuer, which could in turn have a material adverse impact on the Issuer's business, operating results, financial condition and the market for its securities. As at the date of this Listing Statement, the occurrence of any further business disruptions and the financial impact of the COVID-19 outbreak cannot be reasonably estimated and it is unknown how the Issuer may be affected if the COVID-19 pandemic persists for an extended period of time.

Unfavourable Publicity or Consumer Perception

The Issuer believes its industry can be highly dependent upon consumer perception. Consumer perception of the Issuer and its technology can be significantly influenced by research or findings, regulatory investigations, litigation, media attention and other publicity. There can be no assurance that future research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the Issuer or any of its technology, or consistent with earlier publicity. Future research

reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Issuer's products and the business, results of operations, financial condition and cash flows of the Issuer.

The Issuer's dependence upon consumer perceptions means that adverse research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Issuer, the demand for products, and the business, results of operations, financial condition and cash flows of the Issuer.

Reliance on Key Personnel

Given the complex nature of the technology on which our business is based and the speed with which such technology advances, our future success is dependent, in large part, upon our ability to attract and retain highly qualified managerial, technical and sales personnel. Competition for talented personnel is intense, and we cannot be certain that we can retain our managerial, technical and sales personnel or that we can attract, assimilate or retain such personnel in the future. Our inability to attract and retain such personnel could have an adverse effect on our business, results of operations and financial condition.

Recruiting and retaining qualified personnel will be critical to the Issuer's success. The number of persons skilled in the tech business is limited and competition for such persons is intense. As the Issuer's business activity grows, it will require additional key financial, administrative, marketing and public relations personnel as well as additional staff on the operations side. Although the Issuer believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Inability to Protect Technology

The Issuer's success is heavily dependent upon technology. There can be no assurance that the steps taken by the Issuer to protect its technology will be adequate to prevent misappropriation or independent third-party development of the Issuer's technology. It is possible that other companies can duplicate a platform similar to that of the Issuer.

Potential Intellectual Property Claims

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. The Issuer may be subject to intellectual property rights claims in the future and its technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent the Issuer from offering its products and services to others and may require that it procure substitute products or services for these members. With respect to any intellectual property rights claim, the Issuer may have to pay damages or stop using technology found to be in violation of a third party's rights. The Issuer may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase its operating expenses. The technology also may not be available for license to the Issuer at all. As a result, the Issuer may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If the Issuer cannot license or develop technology for the infringing aspects of its business, it may be forced to limit its product and service offerings and may be unable to compete effectively. Any of these results could harm the Issuer's brand and prevent the Issuer from generating sufficient revenue or achieving profitability.

In addition, the Issuer uses open source software and expects to continue such use on an ongoing basis. From time to time, the Issuer may face claims from companies that incorporate open source software into

their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require the Issuer to purchase a costly license or require the Issuer to devote additional research and development resources, any of which would have a negative effect on the Issuer and its business.

Risks Associated with Carrying on Business in France

France has certain laws, customs, business culture, language, and politics which differ markedly from Canada. France has extensive and complex labor laws which have a special emphasis on employee rights and protections. Employment costs can run high due to the payroll taxes that employers are required to pay. Unionized labour is prevalent in France, and service workers are prone to strike in sectors such as transportation and agriculture, often causing disruptions for several days at a time. France also presents some cultural challenges, including that French is the main language used for business, the Euro is the main currency, and the manner of conducting business in France can vary from region to region. There are potential risks of greater taxation, nationalization, or political influence. France uses a civil law system, whereas Canada uses a common law system. A civil law system is more prescriptive and codified, and is not built on judicial rulings or precedents to the extent common law is. This can lead to less freedom of contract in France, as many provisions are implied into the contract by law and parties cannot contract out of such provisions. Other possible future risks associated with operating in France, although not currently risks, may include without limitation: (i) the deterioration of social, political and economic stability; (ii) certain national policies may be implemented that could restrict the Issuer's ability to repatriate income to Canada; (iii) potential difficulties in enforcing contractual obligations; and (iv) higher rates of inflation, higher interest rates and other economic concerns. As XRA will incur costs in Euros, U.S. dollars and Canadian dollars, and revenues are expected to be earned in Euros and U.S. dollars, the Issuer will have a greater degree of foreign currency risk.

Conflicts of Interest

The Issuer's directors may, from time to time, serve as directors of, or participate in ventures with other companies involved in software development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the BCBCA and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Cybersecurity risk and network security

The Issuer's operations rely on the secure processing, storage and transmission of confidential and other information in computer systems and networks. While protective measures may be taken, computer systems, sensitive data, software and networks may be vulnerable to cyber-attacks, unauthorized access, computer viruses or other malicious code and events that could have a security impact. The Issuer relies on third party information technology vendors and software developers around the world; and there is the risk that third parties could expose it to cybersecurity breaches. If one or more of these events occur, this could potentially jeopardize the Issuer's confidential and other personal information processed and stored in, and transmitted through, computer systems and networks, or otherwise cause interruptions or malfunctions in their operations. The Issuer may be required to expend significant additional resources to modify protective measures or to investigate and remediate vulnerabilities or other exposures. As a result, the Issuer may be subject to financial losses, litigation or liability for failure to comply with privacy and regulations. These all may lead to reputational harm affecting investor confidence. A cyber-attack could also compromise any proprietary, confidential or sensitive information or systems that the Issuer maintains for the purpose of competitive advantage, or could compromise personal information of the customers or

users of the Issuer's products or services, and any such compromise could lead to legal actions against the Issuer, and lost revenues while it attempts to recover or replace the lost information or systems, or repair the means by which the compromise originated, or settle legal actions.

Further Acquisitions

As part of our business strategy, we may seek to grow by acquiring companies, assets or establishing joint ventures that we believe will complement our current or future business. We may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for our business. We cannot guarantee that we can complete any acquisition we pursue on favorable terms or that any acquisitions completed will ultimately benefit our business.

Uninsurable Risks

Although the Issuer intends to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance may not cover all the potential risks associated with a tech company's operations. The Issuer may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses may cause the Issuer to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Foreign currency risk

We report our financial results in Canadian dollars. However, as we anticipate our international business will grow, the percentage of our revenue received in foreign currencies will likely increase. Accordingly, we are subject to, and may increasingly be subject to, currency fluctuations that may, from time to time, affect our financial position and performance. Further, a significant amount of our expenses are expected to be paid in U.S. dollars or the Euro. As a result, we may be exposed to currency risk on certain transactions. Any fluctuation in the exchange rate of these currencies may negatively impact our business, financial condition and operating results.

Litigation Risk

The Issuer may be the subject of litigation as it pertains to any aspect of the Issuer's business. Any claims, with or without merit, often result in substantial costs and diversion of management's attention and resources and could have a negative effect on business and results of operations. Further, any litigation loss could result in significant financial payments or loss of assets, which could materially harm or ruin the Issuer's business.

No Cash Dividends are expected to be paid in the Foreseeable Future.

The Issuer has not declared any cash dividends to date. The Issuer intends to retain any future earnings to finance its business operations and any future growth. As such, the Issuer does not anticipate declaring any cash dividends in the foreseeable future.

Other Risks

Each of Oleksiy Andriychenko (director), Kostiantyn Makeiev (CTO and director) and Jean Vignon (director) resides outside of Canada; and each has appointed the law firm of Owen Bird Law Corporation (OBLC) as his agent for service of process in Canada. It may not be possible to enforce judgments obtained in Canada against any of these persons in their country of residence, even if they have appointed OBLC as their agent for service of process.

18. PROMOTERS

Each of Oleksiy Andriychenko (director and principal shareholder) and Kostiantyn Makeiev (CTO, director and principal shareholder) is a promoter of the Issuer. Each has ownership and control of 10,000,000 Shares, representing 14.92% of the issued and outstanding Shares of the Issuer as of the date of this Listing Statement.

No asset was acquired within the two years before the date of the Listing Statement or thereafter, or is to be acquired, by the Issuer from either promoter, except that each (i) developed the Base Platform Technology, (ii) was a founder and significant shareholder of XRA, and (iii) received 10,000,000 Shares of the Issuer under the Share Exchange Agreement.

For further information regarding each of Mr. Andriychenko and Mr. Makeiev, please refer to Section 13 – *Directors and Officers*, and Section 15 – *Executive Compensation*.

19. LEGAL PROCEEDINGS

As of the date of this Listing Statement, there are no legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter, and there are no such proceedings known to the Issuer to be contemplated.

The Issuer has not be subject to any (i) penalties or sanctions imposed against it by a court relating to provincial or territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof; (ii) other penalties or sanctions imposed by a court or regulatory body against the Issuer necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed; or (iii) settlement agreements entered into before a court relating to provincial or territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Issuer, or any person or company that has direct or indirect beneficial ownership of, or who exercises control or direction over, more than 10% of the Issuer's outstanding Shares, nor any associate or affiliate of any of such persons or companies, has had any interest in any transaction within the three years preceding the date of this Listing Statement, or has any interest in any proposed transaction, that has materially affected or will materially affect the Issuer; other than the participation of each of Oleksiy Andriychenko and Kostiantyn Makeiev in the Share Exchange Agreement as described in this Listing Statement.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditor

The auditors of the Issuer and XRA are Baker Tilly WM LLP, Chartered Professional Accountants, ninth Floor, 400 Burrard Street, Vancouver, British Columbia, V6C 3B7.

Transfer Agent and Registrar

The Issuer's register and transfer agent is Computershare Trust Company of Canada, third floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

22. MATERIAL CONTRACTS

During the three years preceding the date of this Listing Statement, other than contracts entered into in the ordinary course of business, the Issuer has entered into the following material agreements:

1. The Share Exchange Agreement dated July 17, 2020 among the Issuer, XRA, and the former XRA shareholders, whereby the Issuer acquired all of the outstanding shares of XRA in exchange for 40,000,000 Shares.
2. Escrow Agreement dated June 17, 2021, among the Issuer, Computershare Trust Company of Canada, and certain shareholders of the Issuer. See “Escrowed Shares”.

23. INTEREST OF EXPERTS

The only persons who are named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement are the Issuer’s auditors, Baker Tilly WM LLP, as such pertains to the audited financial statements, and auditor’s report thereon, for the fiscal years ended July 31, 2020 and 2019. The auditors have advised the Issuer that they are independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

No direct or indirect interest in the Issuer, or any property of the Issuer or of a Related Person of the Issuer, has been received or is to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement.

24. OTHER MATERIAL FACTS

There are no other material facts that are not disclosed under the preceding items and that are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.

25. FINANCIAL STATEMENTS

Attached hereto are the following financial statements:

1. Schedule “B” - the Issuer’s audited financial statements for the fiscal years ended July 31, 2020 and 2019;
2. Schedule “D” – the Issuer’s interim financial statements for the six months ended January 31, 2021;
3. Schedule “F” - the Issuer’s interim financial statements for the nine months ended April 30, 2021
4. Schedule “H” - unaudited pro-forma statement of financial position of the Issuer as of April 30, 2021.

Additional historical financial statements for the Issuer can be found under the Issuer’s profile on SEDAR.

SCHEDULE “A” STATEMENT OF EXECUTIVE COMPENSATION

This Schedule sets forth the compensation paid by the Issuer to its Named Executive Officers and directors during the past two fiscal years.

For the purpose of this document:

“**CEO**” means each individual who, in respect of the Issuer, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;

“**CFO**” means each individual who, in respect of the Issuer, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer; and

“**Named Executive Officer**” or “**NEO**” means: (a) a CEO; (b) a CFO; (c) in respect of the Issuer and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*, for that financial year; and (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was not an executive officer of the Issuer, was not acting in a similar capacity, at the end of the most recently completed financial year.

During the financial years ended July 31, 2020 and July 31, 2019, the Issuer had two Named Executive Officers, namely Paul Gray (President and CEO) and Geoffrey Watson (CFO).

All dollar amounts referenced herein are Canadian Dollars unless otherwise specified.

Overview of Compensation Paid to NEOs and Directors

There has been only nominal compensation paid (or accrued) during each of the past two fiscal years, other than fees paid to the CFO. There have been no other forms of compensation paid or that remain payable, including stock options.

Oversight and Description of Director and Named Executive Officer Compensation

Current Status:

There was no compensation committee or other committee that oversaw or advised with respect to executive and director compensation. All decisions regarding NEO and director compensation were made by the board of directors.

Compensation was determined as being the minimum amount required to keep the NEOs involved with the Issuer, to provide their minimum attention and service to keep the Issuer alive, and to compensate for the risks and stigma associated with being a NEO of a cease traded entity.

Anticipated Future Status:

Going forward, and following listing on the CSE, the Issuer anticipates appointing additional directors and forming a compensation committee which will be responsible for assisting the Board in monitoring, reviewing and approving compensation policies and practices of the Issuer and administering the Issuer’s stock option plan.

With regard to the CEO, the Board (or compensation committee, as applicable) will be responsible for reviewing and approving corporate goals and objectives relevant to the CEO’s compensation, evaluating the CEO’s performance in light of those goals and objectives. A compensation committee, if applicable, will make recommendations to the Board regarding the CEO’s compensation level based on this evaluation; and in either event the Board will set the

CEO's remuneration. In consultation with the CEO, the compensation committee will make recommendations to the Board on the framework of officers and directors remuneration and its cost and on specific remuneration packages for each of the directors and officers other than the CEO, including recommendations regarding awards under equity compensation plans.

The Issuer's compensation philosophy for executive officers is expected to follow three underlying principles:

- (a) to provide compensation packages that encourage and motivate performance;
- (b) to be competitive with other companies of similar size and scope of operations so as to attract and retain talented executives; and
- (c) to align the interests of its executive officers with the long-term interests of the Issuer and its shareholders through stock related programs.

When determining compensation policies and individual compensation levels for the Issuer's executive officers, the Board expects to take into consideration a variety of factors, including the overall financial and operating performance of the Issuer, and the Board's overall assessment of:

- (a) each executive officer's individual performance and contribution towards meeting corporate objectives;
- (b) each executive officer's level of responsibility,
- (c) each executive officer's length of service; and
- (d) industry comparables.

In keeping with the above philosophies, the Issuer expects to adopt a model that will include both base salary or consulting fees and "at-risk" compensation, comprised of participation in the Issuer's stock option plan, as described below. In addition, the Issuer may award performance bonuses based on executives meeting short-term or long-term performance milestones.

Base salary or consulting fee levels will reflect the fixed component of pay that compensates executives for fulfilling their roles and responsibilities and assists in the attraction and retention of highly qualified executives. Base amounts will be reviewed annually to ensure they reflect each respective executive's performance and experience in fulfilling his or her role and to ensure executive retention. Base salaries and consulting fees were set at below industry standard levels, which was reflective of the Issuer's lack of monetary resources, and the relative lack of business activity associated with the Issuer. Monetary compensation will be supplemented with the provision of stock options (see below for description). Salaries and consulting fee levels will be reviewed and revised as the Issuer grows.

Stock Options

The Issuer has a 10% rolling stock option plan in place. No options have been granted in the past two fiscal years; and no stock options remain outstanding as of the date of this document. Stock options are intended to align executive interests with those of shareholders by tying compensation to share performance and to assist in retention through vesting provisions. Grants of stock options will be based on:

- (a) the executive's performance;
- (b) the executive's level of responsibility within the Issuer;
- (c) the number and exercise price of options previously issued to the executive;
- (d) the difference between the executive's salary and that paid by comparable companies; and
- (e) the overall aggregate total compensation package provided to the executive.

Options are typically granted on an annual basis in connection with the review of executives' compensation packages. Options may also be granted to executives upon hire or promotion and as special recognition for extraordinary performance.

Director and Named Executive Officer Compensation

The following table (presented in accordance with the Form) sets forth all annual and long term compensation for services paid to or earned by each NEO and director for the two most recently completed financial years ended July 31, 2020 and 2019, excluding compensation securities.

| Name and position | Year | Salary, consulting fee, retainer or commission (\$) | Bonus (\$) | Committee or meeting fees (\$) | Value of perquisites (\$) | Value of all other compensation (\$) | Total compensation (\$) |
|--|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Paul Gray <i>President, CEO and Director</i> | 2020 | nil | nil | nil | nil | nil | nil |
| | 2019 | nil | nil | nil | nil | nil | nil |
| Geoffrey Watson¹ <i>CFO</i> | 2020 | \$42,000 | nil | nil | nil | nil | \$42,000 |
| | 2019 | \$57,476 | nil | nil | nil | nil | \$57,476 |
| John Roozendaal <i>Director</i> | 2020 | nil | nil | nil | nil | nil | nil |
| | 2019 | nil | nil | nil | nil | nil | nil |
| Yana Bobrovskaya² <i>Director</i> | 2020 | \$nil | nil | nil | nil | nil | \$nil |
| | 2019 | \$2,500 | nil | nil | nil | nil | \$2,500 |
| Mark Tommasi³ <i>Director</i> | 2020 | \$12,000 | nil | nil | nil | nil | \$12,000 |
| | 2019 | \$14,000 | nil | nil | nil | nil | \$14,000 |

1. Amounts reflect management fees paid to GRW Inc., a private company controlled by Mr. Watson.
2. Amounts reflect consulting fees paid to 868143 B.C. Ltd., a private company controlled by Ms. Bobrovskaya.
3. Amounts reflect management fees paid to 622738 B.C. Ltd., a private company controlled by Mr. Tommasi.

Stock Options and Other Compensation Securities

The only compensation securities available to be issued or granted by the Issuer to its directors and NEOs during the financial years ended July 31, 2020 and 2019 were incentive stock options under the Issuer's stock option plan. During those financial years, the Issuer did not grant any stock options to its directors or NEOs for services provided or to be provided, directly or indirectly, to the Issuer.

During the financial years ended July 31, 2020 and 2019, no incentive stock options were exercised by any NEO or director. The Issuer does not currently have any stock options outstanding.

The only stock option plan or other incentive plan the Issuer currently has in place is a 10% "rolling" stock option plan (the "Plan"), which authorizes the Board to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Issuer, from time to time. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Issuer and to advance the interests of the Issuer by affording such persons with the opportunity to acquire an equity interest in the Issuer through rights granted under the Plan.

Material Terms of the Stock Option Plan

The Plan provides that the terms of the options and the option price may be fixed by the Board subject to the price restrictions and other requirements of the CSE. The Plan also provides that no option may be granted to any person except upon the recommendation of the Board, and only directors, officers, employees, consultants and other key personnel of the Issuer or any subsidiary may receive options. Options granted under the Plan may not be exercisable for a period longer than ten years and the exercise price must be paid in full upon exercise of the option.

The Plan is subject to the additional following restrictions:

- (a) the Issuer shall not grant options to any one person in any 12-month period which could, when exercised, result in the issuance of common shares exceeding 5% of the issued and outstanding common shares of the Issuer;
- (b) if any option expires or otherwise terminates for any reason without having been exercised in full, the number of common shares in respect of which the option expired or terminated shall again be available for the purposes of the Plan;
- (c) any options granted pursuant to the Plan will terminate generally within 90 days of the option holder ceasing to act as a director, officer, employee, management company or consultant of the Issuer or any of its affiliates, and generally within 30 days of the option holder ceasing to act as an employee engaged in investor relations activities, unless such cessation is on account of death. If such cessation is on account of death, the options terminate on the first anniversary of such cessation. If such cessation is on account of cause, or terminated by regulatory sanction or by reason of judicial order, the options terminate immediately.
- (d) all options granted to consultants performing investor relations activities will vest in stages over 12 months with no more than one-quarter of the options vesting in any three-month period; and
- (e) the Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Plan with respect to options which have not yet been granted under the Plan, subject to regulatory approval.

The Issuer has no other form of compensation plan under which equity securities of the Issuer are authorized for issuance to employees or non-employees in exchange for consideration in the form of goods and services.

Employment, Consulting and Management Agreements

There were no agreements or arrangements in place under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the Issuer that were:

- (a) performed by a director or named executive officer, or
- (b) performed by any other party but are services typically provided by a director or a named executive officer, other than (i) the CFO was paid on the basis of time incurred in undertaking services for the Issuer, and (ii) the reimbursement of expenses any director or NEO may have incurred on behalf of the Issuer.

In particular, there were no agreements or arrangement containing provisions with respect to change of control, severance, termination or constructive dismissal.

Pension disclosure

The Issuer does not provide any form of pension to any of its directors or Named Executive Officers.

SCHEDULE “B”

**AUDITED FINANCIAL STATEMENTS OF THE ISSUER
FOR THE FISCAL YEARS ENDING JULY 31, 2020 AND 2019**

[inserted as pages following]

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Financial Statements

(Expressed in Canadian Dollars)

Years Ended July 31, 2020 and 2019

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 |
| | <u>739,598</u> | 435,593 |
| Right-of-use asset (Note 6) | 48,610 | - |
| Exploration and evaluation assets (Note 7) | 28,000 | 28,000 |
| | <u>\$ 816,208</u> | <u>\$ 463,593</u> |
| 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 |
| | <u>135,824</u> | 129,263 |
| Lease liability (Note 14) | 6,169 | - |
| | <u>141,993</u> | 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) |
| | <u>674,215</u> | <u>334,330</u> |
| | <u>\$ 816,208</u> | <u>\$ 463,593</u> |

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 |
| | <u>(384,394)</u> | <u>(519,943)</u> |
| 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 | - |
| | <u> </u> | <u> </u> |
| Net loss and comprehensive loss | \$ <u>(319,034)</u> | \$ <u>(601,580)</u> |
| Basic and diluted loss per share | \$ <u>(0.02)</u> | \$ <u>(0.05)</u> |
| Basic and diluted weighted average shares outstanding | <u>19,591,702</u> | <u>11,530,805</u> |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Changes in Equity

(Expressed in Canadian Dollars)

| | Shares of common stock | Share capital | Subscriptions receivable | Contributed surplus | Deficit | Total |
|--------------------------|------------------------------|---------------------|-----------------------------|------------------------|-----------------------|-------------------|
| July 31, 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 |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

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) | - |
| | <u>(726,229)</u> | <u>(290,315)</u> |
| Cash flows used in investing activities | | |
| Exploration and evaluation expenditures | (6,000) | (31,349) |
| Amounts receivable | (5,602) | (14,071) |
| | <u>(11,602)</u> | <u>(45,420)</u> |
| 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) |
| | <u>639,199</u> | <u>423,776</u> |
| Increase (Decrease) in cash | (98,632) | 88,041 |
| Cash at beginning of the year | <u>294,872</u> | <u>206,831</u> |
| Cash at end of the year | \$ <u>196,240</u> | \$ <u>294,872</u> |
| 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 |

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

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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:

Judgments

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Estimates

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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 | <u>(1,215,292)</u> | <u>(1,231,729)</u> |
| 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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

6. Right-of-use asset

| | July 31, 2020 | July 31, 2019 |
|----------------------------|------------------|---------------|
| Balance, beginning of year | \$ - | \$ - |
| Additions (Note 14) | 90,259 | - |
| Amortization | <u>(41,649)</u> | - |
| Balance, end of year | <u>\$ 48,610</u> | \$ - |

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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 | <u>18,000</u> | <u>-</u> | <u>18,000</u> | <u>18,000</u> |
| Pasfield Lake | | | | |
| Balance, beginning of year | 10,000 | - | 10,000 | 10,000 |
| Balance, end of year | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>10,000</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | \$ 28,000 | \$ - | \$ 28,000 | \$ 28,000 |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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 |
| | <u>\$ 54,000</u> | <u>\$ 73,976</u> |

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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:

| <u>Year ended July 31,</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| 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 |
| | <u>\$ -</u> | <u>\$ -</u> |

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.

| <u>July 31,</u> | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------|--------------|
| 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) |
| | <u>\$ -</u> | <u>\$ -</u> |

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 |
| | <u>\$</u> | <u>4,759,457</u> |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

July 31, 2020 and 2019

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:

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

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

| | <u>2020</u> |
|--------------------------------------|------------------|
| Less than one year | \$ 47,308 |
| One to five years | 7,885 |
| Total undiscounted lease obligations | <u>\$ 55,193</u> |

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.

SCHEDULE “C”

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JULY 31, 2020**

[inserted as pages following]

ZADAR VENTURES LTD.

Management Discussion and Analysis

(Expressed in Canadian Dollars, Unless Otherwise Stated)

For the Year Ended July 31, 2020

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) of the operating results and financial condition of Zadar Ventures Ltd. (the “Company” or “Zadar”) for the year ended July 31, 2020 should be read in conjunction with the audited financial statements for year ended July 31, 2020, which are prepared in accordance with International Financial Reporting Standards (“IFRS”).

This MD&A is prepared as of November 27, 2020. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

DESCRIPTION OF THE BUSINESS

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

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

The Company’s corporate office and principal place of business is at Suite 908 – 510 Burrard Street, Vancouver, B.C. V6C 3A8.

The Company is engaged in the business of mineral exploration. It acquires, explores, and develops mineral resource properties.

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.'s prolific Golden Triangle.

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 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 (issued). 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.

During the year ended July 31, 2019, management wrote down the full \$135,000 of capitalized costs accumulated on the property to \$Nil as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated a write down at this time in line with the Company's accounting policy for exploration and evaluation assets.

Whiskey Gap Property

The Company entered into an Option Agreement dated April 29, 2010 as amended on May 30, 2011, September 30, 2011, June 1, 2012, November 19, 2014, November 28, 2015, November 23, 2017 and November 17, 2018 with 1177129 Alberta Limited (the "Optionor"). The Optionor is a wholly owned subsidiary of International Ranger Corp. Jason Walsh, who is the President and Director of the Optionor, is also a Director of International Ranger Corp. and a shareholder and former Chief Financial Officer and Secretary of International Ranger Corp.

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

- a) \$12,500 (paid) and issue and allot to the Optionor 10,000 shares of the Company (issued);
- b) on or before the first anniversary of the execution of the Agreement, it must pay the Optionor a further \$12,500 (paid) and issue and allot to the Optionor a further 20,000 shares (issued);
- c) on or before the second anniversary of the execution of the Agreement, it must pay the Optionor a further \$25,000 (paid) and issue and allot to the Optionor a further 30,000 shares (issued);

- d) on or before September 30, 2010, the Company shall expend not less than \$100,000 on Exploration Expenditures on the Property (incurred);
- e) on or before June 30, 2012, the Company shall pay \$100,000 to the Optionor (paid);
- f) on or before December 31, 2012, the Company shall pay a further \$50,000 (paid) and issue and allot to the Optionor a further 50,000 shares (issued).

The Company has a further option to acquire the remaining 40% interest in the Property by issuing the Optionor an additional 100,000 shares (issued) and paying the Optionor \$100,000 on or before June 30, 2020.

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

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 in line with the Company's accounting policy for exploration and evaluation assets.

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).

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

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

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

WSP and CR Lithium Projects

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.

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 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:

- a) US\$50,000 on the effective date (paid);
- b) 100,000 common shares on TSX.V approval (issued);
- c) US\$50,000 on or before March 25, 2016 (paid);
- d) 100,000 common shares on each of February 25, 2017 (issued), December 1, 2018 (issued), December 1, 2019 and December 1, 2020;
- e) US\$75,000 on each of February 25, 2017 (paid) and December 1, 2018; and
- f) 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 recorded a provision for write-down in the amount of \$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. 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 due to the same issues that were presented at July 31, 2018.

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

SUMMARY OF RECENT EVENTS

Private Placement

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.

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.

Augmented Reality Space

On July 30, 2020, the Company announced that it has executed a definitive share exchange agreement with XRApplied SAS (“XRA”), a leader 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 equity offering. The Company advises that the transaction will require regulatory and shareholder approval, and that there is no assurance that the proposed transaction will close.

SELECTED ANNUAL INFORMATION

| Year Ended July 31 | 2020 | 2019 | 2018 |
|---|-----------|-----------|-------------|
| | \$ | \$ | \$ |
| Revenues | - | - | - |
| Net loss for the year | (319,034) | (601,580) | (1,417,744) |
| Loss per share (basic and diluted) | (0.02) | (0.05) | (0.15) |
| Total assets | 816,208 | 463,593 | 486,086 |
| Total non-current financial liabilities | 6,169 | - | - |
| Dividends declared | - | - | - |

RESULTS OF OPERATIONS

Year ended July 31, 2020 and 2019

The Company's net loss for the year ended July 31, 2020 was \$319,034 as compared to a net loss of \$601,580 for the year ended July 31, 2019.

Consulting fees increased to \$55,164 in 2020 compared to \$51,497 in 2019 mainly due to services related to the strategic partnership between the Company and XRA. Listing and filing fees decreased to \$31,836 in 2020 compared to \$47,401 in 2019 and office and sundry decreased to \$73,119 in 2020 compared to \$95,288 in 2019. These decreases in expenses were offset by an increase in accretion of \$2,502 compared to \$Nil in 2019 and amortization of \$41,649 compared to \$Nil in 2019 related to classifying the Company's office lease as a right-of-use asset under IFRS 16 - Leases. In addition, the Company recognized a write-off of exploration and evaluation assets of \$6,000 related to the East Boundary Mineral Claims and accounts payable of \$30,000 during the year ended July 31, 2020. During the comparative 2019 period, the Company recognized a write-down on the WSP/CR Claims and East Boundary Mineral Claims of \$146,349.

Excluding the non-cash expenses related to accretion, amortization and write-down of exploration and evaluation assets, total administrative expenses decreased by \$39,351 in 2020 compared to 2019 as a result of the Company's attempt to preserve cash.

Cash used in operating activities increased to \$726,229 for the year ended July 31, 2020 compared to \$290,315 for the comparative period in 2019 mainly as a result of an increase in prepaid expenses of \$357,251 related to the prepayment of the Company's office lease until December 2020 and making deposits related to the acquisition of XRA. In addition, cash provided by financing activities increased to \$639,199 for the year ended July 31, 2020 compared to \$423,776 for the comparative period in 2019 mainly due to the Company completing two non-brokered private placements for total proceeds of \$658,919, net of share issuance costs.

The Company also recognized an unrealized gain on its investment of \$16,437. In 2019, the Company recorded an unrealized loss on investment of \$81,941.

Quarter ended July 31, 2020 and 2019

The Company's net loss for the three months ended July 31, 2020 was \$125,229 as compared to a net loss of \$241,924 for the three months ended July 31, 2019.

Office and sundry decreased to \$16,852 in 2020 compared to \$28,660 in 2019 which was offset by an increase in accretion of \$1,127 compared to \$Nil in 2019 and amortization of \$10,498 compared to \$Nil in 2019 related to classifying the Company's office lease as a right-of-use asset under IFRS 16 – Leases. In addition, consulting fees increased to \$55,000 compared to \$2,500 in 2019 mainly due to services related to the strategic partnership between the Company and XRA. In addition, the Company recognized a write-down on the East Boundary Mineral Claims of \$6,000 compared to \$135,000 in the comparative 2019 period.

Other income increased by \$18,923 due to the recovery of shared office costs in the Company's head office and the Company recognized a write-off of accounts payable of \$30,000 during the three months ended July 31, 2020.

The Company also recognized an unrealized gain on its investment of \$1,395. In 2019, the Company recorded an unrealized loss on investment of \$13,298.

SUMMARY OF QUARTERLY RESULTS

| Quarter ended | Revenue \$ | Net loss \$ | Loss per share \$ |
|----------------------|-------------------|--------------------|--------------------------|
| July 31, 2020 | – | (125,229) | (0.01) |
| April 30, 2020 | – | (90,793) | (0.00) |
| January 31, 2020 | – | (84,369) | (0.00) |
| October 31, 2019 | – | (18,643) | (0.00) |
| July 31, 2019 | – | (241,924) | (0.02) |
| April 30, 2019 | – | (82,360) | (0.01) |
| January 31, 2019 | – | (129,993) | (0.01) |
| October 31, 2018 | – | (147,303) | (0.01) |

There are no meaningful trends evident from analysis of the summary of quarterly financial information over the last eight quarters. Factors that can cause fluctuations in the Company's quarterly results are the timing of stock option grants, fluctuation in market value of its investments, write-down of exploration and evaluation assets and other legal matters.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2020, the Company had working capital of \$603,774. To date, the Company has relied entirely upon the sale of common shares to generate working capital for exploration activities and to fund the administration expenses of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of common shares to raise capital. There can be no assurance that financing will be available to the Company when required.

Cash flows provided by financing activities for the year ended July 31, 2020 was \$639,199, mainly from cash received related to two non-brokered private placements for gross proceeds of \$612,500 that closed in January and June 2020. In addition, the Company received \$21,250 related to the exercise of 250,000 warrants exercisable at \$0.085 per share, and \$32,500 received during the year ended July 31, 2020, related to subscriptions receivable as at July 31, 2019.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. The Company does not believe that its current financial resources will be adequate to meet its business

objectives and projected working capital and other cash requirements for at least 12 months. There can be no assurance that these funds will be sufficient and the Company will have to evaluate additional means of financing, including additional debt or equity financings. See “Risk Factors”.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the year ended July 31, 2020, the Company incurred an aggregate of \$54,000 for management fees of which \$12,000 was payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the Chairman of the Company and \$42,000 was payable to GRW Inc., a company wholly owned by Geoffrey R. Watson, the CFO and Secretary of the Company.

During the year ended July 31, 2020, the Company incurred an aggregate of \$Nil for consulting fees payable to 0868143 B.C. Ltd., a company wholly owned by Yana Bobrovskaya, a Director of the Company.

Amounts due from related parties comprise \$19,055 in advances to officers, directors and a company with officers and directors in common and \$18,703 in advances from companies with officers and directors in common. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

COMMON SHARES OUTSTANDING

As of July 31, 2020 and the date of this report, a total of 23,429,134 common shares were issued and outstanding.

WARRANTS OUTSTANDING

As of July 31, 2020 and the date of this report, the Company has 7,500,000 warrants outstanding exercisable at \$0.085 until May 23, 2022, 2,250,000 warrants outstanding exercisable at \$0.085 until January 9, 2023 and 3,000,000 warrants outstanding exercisable at \$0.300 until December 2, 2021.

OPTIONS OUTSTANDING

As of July 31, 2020, and as at the date of this report, the Company did not have any options outstanding.

CRITICAL ACCOUNTING ESTIMATES

Mineral Properties and Exploration Costs

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

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

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

Asset Retirement Obligations

The Company's exploration activities to date have consisted principally of geophysics. As a result, there has been little to no impact on the physical state of the properties that would give rise to asset retirement obligations.

CHANGES IN ACCOUNTING POLICIES

The following new accounting standards were adopted by the Company for the year ended July 31, 2020:

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 the Company's annual reporting period beginning on August 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.

On adoption of IFRS 16, the Company recognized the right-of-use asset, 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 accretion expense of \$2,502 related to the lease liability.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, amounts receivable, investment, due from/to related parties, accounts payable and accrued liabilities and loans payable. The fair value of cash, amounts receivable, due from/to related parties, accounts payable and accrued liabilities, loans payable approximates their carrying value due to their short-term nature. Investments are carried at fair value.

The Company classified its financial assets and liabilities at fair value through profit or loss or at amortized costs. There are no financial instruments at fair value through other comprehensive income.

OTHER RISKS AND UNCERTAINTIES

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

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

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

Property title

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

Licenses and permits

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

Operating hazards and risks

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

Competition

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

Profitability of operations

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

Market risks

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

Future financings

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

Going concern

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

Cyber security risk

Cyber security risk is the risk of negative impact on the operations and financial affairs of the Company due to cyber attacks, destruction or corruption of data, and breaches of its electronic systems. Management believes that it has taken reasonable and adequate steps to mitigate the risk of potential damage to the Company from such risks. The Company also relies on third-party service providers for the storage and processing of various data. A cyber security incident against the Company or its contractors and service providers could result in the loss of business sensitive, confidential or personal information as well as violation of privacy and security laws, litigation and regulatory enforcement and costs. The Company has not experienced any material losses relating to cyber attacks or other information security breaches, however there can be no assurance that it will not incur such losses in the future.

Coronavirus Global Pandemic Risk

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 declines in the 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.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

SCHEDULE "D"
INTERIM FINANCIAL STATEMENTS OF THE ISSUER
FOR THE SIX MONTHS ENDED JANUARY 31, 2021

[inserted as pages following]

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended January 31, 2021

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended January 31, 2021

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| Condensed Interim Statements of Operations and Comprehensive Loss | 5 |
| Condensed Interim Statements of Changes in Equity | 6 |
| Condensed Interim Statements of Cash Flows | 7 |
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Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

| | As at January 31, 2021 | As at July 31, 2020 |
|--|------------------------------|---------------------------|
| Assets | | |
| Current | | |
| Cash | \$ 754,441 | \$ 196,240 |
| Amounts receivable (Note 4) | 105,514 | 109,713 |
| Investment (Note 5) | 32,608 | 32,708 |
| Goods and services tax recoverable | 8,683 | 7,347 |
| Due from related parties (Note 11) | 139 | 19,055 |
| Prepaid expenses and deposits | 402,874 | 374,535 |
| | <u>1,304,259</u> | <u>739,598</u> |
| Right-of-use asset (Note 6) | 32,919 | 48,610 |
| Exploration and evaluation assets (Note 7) | 28,000 | 28,000 |
| | <u>\$ 1,365,178</u> | <u>\$ 816,208</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 75,989 | \$ 50,366 |
| Share subscriptions refundable (Note 8) | 26,000 | 26,000 |
| Loans payable (Note 12) | 1,032 | 1,032 |
| Lease liability (Note 13) | 30,610 | 39,723 |
| Due to related parties (Note 11) | 25,003 | 18,703 |
| | <u>158,634</u> | <u>135,824</u> |
| Lease liability (Note 13) | - | 6,169 |
| | <u>158,634</u> | <u>141,993</u> |
| Shareholders' Equity | | |
| Share capital (Note 8) | 9,299,622 | 9,288,997 |
| Subscriptions received in advance (Note 8) | 722,400 | - |
| Contributed surplus | 672,064 | 672,064 |
| Deficit | <u>(9,487,542)</u> | <u>(9,286,846)</u> |
| | <u>1,206,544</u> | <u>674,215</u> |
| | <u>\$ 1,365,178</u> | <u>\$ 816,208</u> |

Nature of operations and going concern (Note 1)

Commitments (Note 13)

Subsequent event (Note 14)

On behalf of the board:

"Mark Tommasi", Director "John Roozendaal", Director

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

| | For the Three Months Ended | | For the Six Months Ended January 31, | |
|--|-------------------------------|--------------------|---|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Administrative expenses | | | | |
| Accounting and audit | \$ 32,380 | \$ 6,525 | \$ 32,380 | \$ 6,525 |
| Accretion | 1,136 | 457 | 2,581 | 573 |
| Amortization | 11,041 | 10,644 | 21,539 | 20,882 |
| Bank charges and interest | 614 | 101 | 686 | 176 |
| Consulting (Note 11) | 25,353 | - | 45,353 | 164 |
| Legal | 3,945 | 2,068 | 4,389 | 2,512 |
| Listing and filing fees | 9,824 | 5,315 | 11,290 | 5,991 |
| Management fees (Note 11) | 29,500 | 28,500 | 57,000 | 56,000 |
| Office and sundry | 18,029 | 19,364 | 42,729 | 35,651 |
| Promotion and travel | 594 | 2,046 | 1,418 | 2,473 |
| | <u>(132,416)</u> | <u>(75,020)</u> | <u>(219,365)</u> | <u>(130,947)</u> |
| Other income | 9,307 | - | 18,769 | - |
| Unrealized gain (loss) on investment (Note 5) | <u>659</u> | <u>(9,349)</u> | <u>(100)</u> | <u>27,935</u> |
| Net loss and comprehensive loss | \$ <u>(122,450)</u> | \$ <u>(84,369)</u> | \$ <u>(200,696)</u> | \$ <u>(103,012)</u> |
| Basic and diluted loss per share | \$ <u>(0.01)</u> | \$ <u>(0.00)</u> | \$ <u>(0.01)</u> | \$ <u>(0.01)</u> |
| Basic and diluted weighted average shares outstanding | <u>23,433,210</u> | <u>18,276,960</u> | <u>23,431,172</u> | <u>17,978,047</u> |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

| | Shares of common stock | Share capital | Subscriptions receivable | Subscriptions received | Contributed surplus | Deficit | Total |
|--------------------------|------------------------------|---------------------|-----------------------------|---------------------------|------------------------|-----------------------|---------------------|
| July 31, 2019 | 17,679,134 | \$ 8,662,578 | \$ (32,500) | \$ - | \$ 672,064 | \$ (8,967,812) | \$ 334,330 |
| Issued for cash | 2,500,000 | 162,500 | (16,250) | - | - | - | 146,250 |
| Subscriptions receivable | - | - | 32,500 | - | - | - | 32,500 |
| Net loss | - | - | - | - | - | (103,012) | (103,012) |
| January 31, 2020 | 20,179,134 | 8,825,078 | (16,250) | - | 672,064 | (9,070,824) | 410,068 |
| Issued for cash | 3,000,000 | 450,000 | - | - | - | - | 450,000 |
| Exercise of warrants | 250,000 | 21,250 | - | - | - | - | 21,250 |
| Subscriptions receivable | - | - | 16,250 | - | - | - | 16,250 |
| Share issue costs | - | (7,331) | - | - | - | - | (7,331) |
| Net loss | - | - | - | - | - | (216,022) | (216,022) |
| July 31, 2020 | 23,429,134 | 9,288,997 | - | - | 672,064 | (9,286,846) | 674,215 |
| Exercise of warrants | 125,000 | 10,625 | - | - | - | - | 10,625 |
| Subscriptions received | - | - | - | 722,400 | - | - | 722,400 |
| Net loss | - | - | - | - | - | (200,696) | (200,696) |
| January 31, 2021 | 23,554,134 | \$ 9,299,622 | \$ - | \$ 722,400 | \$ 672,064 | \$ (9,487,542) | \$ 1,206,544 |

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

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Six Months Ended January 31, **2021** **2020**

| | | |
|--|--------------------------|-------------------|
| Cash flows used in operating activities | | |
| Net loss | \$ (200,696) | \$ (103,012) |
| Adjustments for: | | |
| Accretion and amortization | 24,120 | 21,455 |
| Unrealized loss (gain) on investment | 100 | (27,935) |
| Changes in non-cash working capital | | |
| Goods and services tax recoverable | (1,336) | (2,653) |
| Prepaid expenses | (28,339) | (33,916) |
| Accounts payable and accrued liabilities | 25,623 | (5,183) |
| Lease liability | (23,711) | (9,000) |
| | <u>(204,239)</u> | <u>(160,244)</u> |
| | | |
| Cash flows from (used in) investing activities | | |
| Exploration and evaluation expenditures | - | (6,000) |
| Amounts receivable | 4,199 | 381 |
| | <u>4,199</u> | <u>(5,619)</u> |
| | | |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock, net of issue costs | 10,625 | 178,750 |
| Subscriptions received in advance | 722,400 | - |
| Advances from related parties | 25,216 | 4,077 |
| Loans repaid | - | (7,047) |
| | <u>758,241</u> | <u>175,780</u> |
| | | |
| Increase in cash | 558,201 | 9,917 |
| Cash at beginning of the period | <u>196,240</u> | <u>294,872</u> |
| | | |
| Cash at end of the period | <u>\$ 754,441</u> | <u>\$ 304,789</u> |

Supplemental disclosure with respect to cash flows

| | | |
|-------------------|-------------|------|
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

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 \$9,487,542 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 condensed interim 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”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The interim financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

The policies presented in Note 3 were consistently applied to all periods presented. The interim financial statements were approved by the Board of Directors on June 9, 2021.

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

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

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:

Judgments

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

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.

Estimates

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

3. Significant Accounting Policies (continued)

(b) Changes in Accounting Policies

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. The Company adopted IFRS 16 on August 1, 2019. 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 13.

4. Amounts Receivable

Amounts receivable as at January 31, 2021 and July 31, 2020 are due from former officers and/or former directors of the Company and companies controlled by them. The balances as at January 31, 2021 and July 31, 2020 are non-interest bearing, unsecured and due on demand.

5. Investment

| | January 31, 2021 | July 31, 2020 |
|-----------------------|--------------------|--------------------|
| Cost | \$ 1,248,000 | \$ 1,248,000 |
| Fair value adjustment | <u>(1,215,392)</u> | <u>(1,215,292)</u> |
| Total | <u>\$ 32,608</u> | <u>\$ 32,708</u> |

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 January 31, 2021, the fair value of the GRIT shares is \$32,608 (July 31, 2020 - \$32,708).

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

6. Right-of-use asset

| | January 31, 2021 | July 31, 2020 |
|------------------------------|------------------|-----------------|
| Balance, beginning of period | \$ 48,610 | \$ - |
| Additions (Note 13) | 5,848 | 90,259 |
| Amortization | <u>(21,539)</u> | <u>(41,649)</u> |
| Balance, end of period | \$ 32,919 | \$ 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 January 31, 2021, there have been no changes in management's analysis that would support renewed capitalization of costs with respect to this property.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

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 January 31, 2021, 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 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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

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). 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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

7. Exploration and Evaluation Assets (continued)

East Boundary Mineral Claims (continued)

During the year ended July 31, 2019, the Company wrote-down the full \$165,000 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 January 31, 2021, 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 six months ended January 31, 2021 and for the year ended July 31, 2020 are as follows:

| | Acquisition Costs January 31, 2021 | Exploration Costs January 31, 2021 | Total January 31, 2021 | Total July 31, 2020 |
|---------------------------------------|---|---|------------------------------|---------------------------|
| Whisky Gap | | | | |
| Balance, beginning of period | \$ 18,000 | \$ - | \$ 18,000 | \$ 18,000 |
| Balance, end of period | 18,000 | - | 18,000 | 18,000 |
| Pasfield Lake | | | | |
| Balance, beginning of period | 10,000 | - | 10,000 | 10,000 |
| Balance, end of period | 10,000 | - | 10,000 | 10,000 |
| East Boundary | | | | |
| Acquisition costs - shares | - | - | - | - |
| Property maintenance | - | - | - | 6,000 |
| Mineral property costs for the period | - | - | - | 6,000 |
| Balance, beginning of period | - | - | - | - |
| Write-down | - | - | - | (6,000) |
| Balance, end of period | - | - | - | - |
| Total | \$ 28,000 | \$ - | \$ 28,000 | \$ 28,000 |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

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 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 of which \$16,250 is received in May 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 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.

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.

On January 28, 2021, the Company issued a total of 125,000 common shares in the capital of the Company for gross proceeds of \$10,625 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 January 31, 2021, the Company had no stock options outstanding.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

8. Share Capital (continued)

(d) Share purchase warrants

| | Number of warrants | Weighted average exercise price \$ |
|--|-----------------------|--|
| 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 |
| Exercised | (125,000) | 0.085 |
| Warrants outstanding at January 31, 2021 | 12,625,000 | 0.136 |

As at January 31, 2021, the following warrants remain outstanding:

| Number of warrants | Exercise price | Expiry date |
|--------------------|----------------|------------------|
| 7,375,000 | \$0.085 | May 23, 2022 |
| 2,250,000 | \$0.085 | January 9, 2023 |
| 3,000,000 | \$0.300 | December 2, 2021 |
| 12,625,000 | | |

(e) Share subscriptions refundable

As at January 31, 2021, the Company had a share subscription refundable in the amount of \$26,000 (July 31, 2020 - \$26,000) to an investor in connection with the private placement that closed on May 23, 2019.

(f) Subscriptions received in advance

As at January 31, 2021, the Company has \$722,400 (July 31, 2020 - \$Nil) of subscriptions received in advance related to common shares not yet issued in connection with the commitment to raise a minimum of \$700,000 and a maximum of \$3,500,000 by way of a non-brokered private placement under the terms of a definitive share exchange agreement with XRApplied SAS ("XRA") (Note 14).

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

9. Financial Instruments and Risk Management (continued)

Fair Values (continued)

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, share subscriptions refundable and loans payable approximate their fair value due to the short-term nature of these instruments. The carrying value of lease liability approximate its fair value as it bears interest that approximates current market rates.

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 January 31, 2021, the Company had a cash balance of \$754,441 (July 31, 2020 - \$196,240) to settle current liabilities of \$158,634 (July 31, 2020 - \$135,824). 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.

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

9. Financial Instruments and Risk Management (continued)

Market risk (continued)

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 January 31, 2021, the Company has an investment with a fair value of \$32,608. 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 January 31, 2021, the Company owns 676,129 GRIT common shares with each common share valued at £0.0275 or \$0.0482. 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.

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 six months ended January 31, 2021.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

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.

| <u>Party</u> | <u>Transactions</u> |
|-----------------|--------------------------------|
| 622738 BC Ltd. | Management and consulting 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.

| <u>Six Months Ended January 31,</u> | <u>2021</u> | <u>2020</u> |
|-------------------------------------|------------------|------------------|
| Consulting fees | \$ 2,500 | \$ - |
| Management fees | 27,000 | 25,000 |
| | <u>\$ 29,500</u> | <u>\$ 25,000</u> |

Amounts due from related parties comprise \$139 (July 31, 2020 - \$19,055) 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 \$25,003 (July 31, 2020 - \$18,703) 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 January 31, 2021 and July 31, 2020 are due to former officers and/or former directors of the Company and companies controlled by them. The balances as at January 31, 2021 and July 31, 2020 are non-interest bearing, unsecured and due on demand.

13. Commitments

The Company has entered into an operating lease contract for office space. The future minimum payments under the lease as at January 31, 2021 are as follows:

| | |
|------|------------------|
| 2021 | \$ 24,000 |
| 2022 | 8,000 |
| | <u>\$ 32,000</u> |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

January 31, 2021

13. Commitments (continued)

On August 1, 2019, the Company adopted IFRS 16 Leases and 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%. Effective January 1, 2021, the base rent and additional rent payment increased to \$4,000 per month resulting in an addition to the right-of-use asset and lease liability in the amount of \$5,848 during the six months ended January 31, 2021.

During the six months ended January 31, 2021, the Company recorded an accretion expense of \$2,581 (2020 - \$573) related to the lease liability.

14. Subsequent Event

On July 30, 2020, the Company announced that it has executed a definitive share exchange agreement with XRApplied SAS ("XRA"), a leader 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 \$700,000 and a maximum of \$3,500,000 at a price of \$0.35 per unit by way of a non-brokered private placement. Each unit consists of one common share and one share purchase warrant exercisable at \$0.75 during the first year and \$1.00 during the second year. The Company advises that the transaction will require regulatory approval and that there is no assurance that the proposed transaction will close.

Further to the intended acquisition of XRA, the Company's board of directors has approved the spin-out of the Company's mineral property interests (the "Properties"). The Properties will be transferred to a newly incorporated subsidiary of the Company, pursuant to a formal business reorganization. Under the reorganization, the subsidiary will distribute its shares to the existing shareholders of the Company in consideration of the transfer of the Properties to the subsidiary. The subsidiary will then cease to be a subsidiary of the Company and will be wholly owned by the existing shareholders of the Company. The existing shareholders of the Company will not include shares to be issued by the Company to acquire XRA, or in connection with the associated private placement.

SCHEDULE “E”

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JANUARY 31, 2021**

[inserted as pages following]

ZADAR VENTURES LTD.
Management Discussion and Analysis
(Expressed in Canadian Dollars, Unless Otherwise Stated)
For the Six Months Ended January 31, 2021

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) of the operating results and financial condition of Zadar Ventures Ltd. (the “Company” or “Zadar”) for the six months ended January 31, 2021 should be read in conjunction with the unaudited interim financial statements for the six months ended January 31, 2021 and the audited financial statements for year ended July 31, 2020, which are prepared in accordance with International Financial Reporting Standards (“IFRS”).

This MD&A is prepared as of June 8, 2021. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

DESCRIPTION OF THE BUSINESS

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

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

The Company’s corporate office and principal place of business is at Suite 908 – 510 Burrard Street, Vancouver, B.C. V6C 3A8.

The Company is engaged in the business of mineral exploration. It acquires, explores, and develops mineral resource properties.

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.'s prolific Golden Triangle.

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 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 (issued). 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.

During the year ended July 31, 2019, management wrote down the full \$135,000 of capitalized costs accumulated on the property to \$Nil as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated a write down at this time in line with the Company's accounting policy for exploration and evaluation assets.

Whiskey Gap Property

The Company entered into an Option Agreement dated April 29, 2010 as amended on May 30, 2011, September 30, 2011, June 1, 2012, November 19, 2014, November 28, 2015, November 23, 2017 and November 17, 2018 with 1177129 Alberta Limited (the "Optionor"). The Optionor is a wholly owned subsidiary of International Ranger Corp. Jason Walsh, who is the President and Director of the Optionor, is also a Director of International Ranger Corp. and a shareholder and former Chief Financial Officer and Secretary of International Ranger Corp.

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

- a) \$12,500 (paid) and issue and allot to the Optionor 10,000 shares of the Company (issued);
- b) on or before the first anniversary of the execution of the Agreement, it must pay the Optionor a further \$12,500 (paid) and issue and allot to the Optionor a further 20,000 shares (issued);
- c) on or before the second anniversary of the execution of the Agreement, it must pay the Optionor a further \$25,000 (paid) and issue and allot to the Optionor a further 30,000 shares (issued);

- d) on or before September 30, 2010, the Company shall expend not less than \$100,000 on Exploration Expenditures on the Property (incurred);
- e) on or before June 30, 2012, the Company shall pay \$100,000 to the Optionor (paid);
- f) on or before December 31, 2012, the Company shall pay a further \$50,000 (paid) and issue and allot to the Optionor a further 50,000 shares (issued).

The Company has a further option to acquire the remaining 40% interest in the Property by issuing the Optionor an additional 100,000 shares (issued) and paying the Optionor \$100,000 on or before June 30, 2020.

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

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 in line with the Company's accounting policy for exploration and evaluation assets.

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).

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

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

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

WSP and CR Lithium Projects

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.

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 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:

- a) US\$50,000 on the effective date (paid);
- b) 100,000 common shares on TSX.V approval (issued);
- c) US\$50,000 on or before March 25, 2016 (paid);
- d) 100,000 common shares on each of February 25, 2017 (issued), December 1, 2018 (issued), December 1, 2019 and December 1, 2020;
- e) US\$75,000 on each of February 25, 2017 (paid) and December 1, 2018; and
- f) 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 recorded a provision for write-down in the amount of \$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. 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 due to the same issues that were presented at July 31, 2018.

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

SUMMARY OF RECENT EVENTS

Private Placement

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.

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.

On January 28, 2021, the Company issued a total of 125,000 common shares in the capital of the Company for gross proceeds of \$10,625 upon exercise of share purchase warrants at a price of \$0.085 per share.

Augmented Reality Space

On July 30, 2020, the Company announced that it has executed a definitive share exchange agreement with XRApplied SAS (“XRA”), a leader 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 \$700,000 and a maximum of \$3,500,000 by way of a non-brokered private placement. The Company advises that the transaction will require regulatory approval, and that there is no assurance that the proposed transaction will close.

Further to the intended acquisition of XRA, the Company’s board of directors has approved the spin-out of the Company’s mineral property interests (the “Properties”). The Properties will be transferred to a newly incorporated subsidiary of the Company, pursuant to a formal business reorganization. Under the reorganization, the subsidiary will distribute its shares to the existing shareholders of the Company in consideration of the transfer of the Properties to the subsidiary. The subsidiary will then cease to be a subsidiary of the Company and will be wholly owned by the existing shareholders of the Company. The existing shareholders of the Company will not include shares to be issued by the Company to acquire XRA, or in connection with the associated private placement.

Subscriptions received in advance

As at January 31, 2021, the Company has \$722,400 (July 31, 2020 - \$Nil) of subscriptions received in advance related to common shares not yet issued in connection with the commitment to raise a minimum of \$700,000 and a maximum of \$3,500,000 by way of a non-brokered private placement under the terms of a definitive share exchange agreement with XRA.

RESULTS OF OPERATIONS

Six months ended January 31, 2021 and 2020

The Company's net loss for the six months ended January 31, 2021 was \$200,696 as compared to a net loss of \$103,012 for the six months ended January 31, 2020.

Accounting and audit increased to \$32,380 compared to \$6,525 in 2020, listing and filing fees increased to \$11,290 compared to \$5,991 in 2020 and office and sundry increased to \$42,729 compared to \$35,651 in 2020. Consulting fees increased to \$45,353 compared to \$164 in 2020 mainly due to services related to the strategic partnership between the Company and XRA.

Other income increased by \$18,769 compared to \$Nil in 2020 due to the recovery of shared office costs in the Company's head office.

The Company also recognized an unrealized loss on its investment of \$100. In 2020, the Company recorded an unrealized gain on investment of \$27,935.

Cash used in operating activities increased to \$204,239 for the six months ended January 31, 2021 compared to \$160,244 for the comparative period in 2020 mainly as a result of an increase in general and administrative expenses during the period. In addition, cash provided by financing activities increased to \$758,241 for the six months ended January 31, 2021 compared to \$175,780 for the comparative period in 2020 mainly due to the Company receiving subscriptions in advance of \$722,400 as discussed above.

Quarter ended January 31, 2021 and 2020

The Company's net loss for the three months ended January 31, 2021 was \$122,450 as compared to a net loss of \$84,369 for the three months ended January 31, 2020.

Accounting and audit increased to \$32,380 in 2021 compared to \$6,525 in 2020, consulting fees increased to \$25,353 in 2021 compared to \$Nil in 2020 mainly due to services related to the strategic partnership between the Company and XRA and listing and filing fees increased to \$9,824 compared to \$5,315 in 2020.

Other income increased by \$9,307 in 2021 compared to \$Nil in 2020 due to the recovery of shared office costs in the Company's head office.

The Company also recognized an unrealized gain on its investment of \$659. In 2020, the Company recorded an unrealized loss on investment of \$9,349.

SUMMARY OF QUARTERLY RESULTS

| Quarter ended | Revenue \$ | Net loss \$ | Loss per share \$ |
|----------------------|-------------------|--------------------|--------------------------|
| January 31, 2021 | – | (122,450) | (0.01) |
| October 31, 2020 | – | (78,246) | (0.00) |
| July 31, 2020 | – | (125,229) | (0.01) |
| April 30, 2020 | – | (90,793) | (0.00) |
| January 31, 2020 | – | (84,369) | (0.00) |
| October 31, 2019 | – | (18,643) | (0.00) |
| July 31, 2019 | – | (241,924) | (0.02) |
| April 30, 2019 | – | (82,360) | (0.01) |

There are no meaningful trends evident from analysis of the summary of quarterly financial information over the last eight quarters. Factors that can cause fluctuations in the Company's quarterly results are the timing of stock option grants, fluctuation in market value of its investments, write-down of exploration and evaluation assets and other legal matters.

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2021, the Company had working capital of \$1,145,625. To date, the Company has relied entirely upon the sale of common shares to generate working capital for exploration activities and to fund the administration expenses of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of common shares to raise capital. There can be no assurance that financing will be available to the Company when required.

Cash flows provided by financing activities for the six months ended January 31, 2021 was \$758,241, mainly from share subscriptions received in advance of \$722,400 related to the commitment to raise a minimum of \$700,000 and a maximum of \$3,500,000 by way of a non-brokered private placement under the terms of a definitive share exchange agreement with XRA compared to cash flows of \$175,780 in 2020, mainly from cash received related to a non-brokered private placement of 2,500,000 units at \$0.065 per unit for gross proceeds of \$162,500 that closed in January 2020.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. The Company does not believe that its current financial resources will be adequate to meet its business objectives and projected working capital and other cash requirements for at least 12 months. There can be no assurance that these funds will be sufficient and the Company will have to evaluate additional means of financing, including additional debt or equity financings. See "Risk Factors".

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2021, the Company incurred an aggregate of \$27,000 for management fees of which \$6,000 was payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the Chairman of the Company and \$21,000 was payable to GRW Inc., a company wholly owned by Geoffrey R. Watson, the CFO and Secretary of the Company.

During the six months ended January 31, 2021, the Company incurred an aggregate of \$2,500 for consulting fees payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the Chairman of the Company.

Amounts due from related parties comprise \$139 in advances to officers, directors and a company with officers and directors in common and \$25,003 in advances from companies with officers and directors in common. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

COMMON SHARES OUTSTANDING

As of January 31, 2021, and as of the date of this report, a total of 23,554,134 common shares were issued and outstanding.

WARRANTS OUTSTANDING

As of January 31, 2021 and the date of this report, the Company has 7,375,000 warrants outstanding exercisable at \$0.085 until May 23, 2022, 2,250,000 warrants outstanding exercisable at \$0.085 until January 9, 2023 and 3,000,000 warrants outstanding exercisable at \$0.300 until December 2, 2021.

OPTIONS OUTSTANDING

As of January 31, 2021, and as at the date of this report, the Company did not have any options outstanding.

CRITICAL ACCOUNTING ESTIMATES

Mineral Properties and Exploration Costs

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

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

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

Asset Retirement Obligations

The Company's exploration activities to date have consisted principally of geophysics. As a result, there has been little to no impact on the physical state of the properties that would give rise to asset retirement obligations.

CHANGES IN ACCOUNTING POLICIES

The Company did not adopt any new accounting policies during the six months ended January 31, 2021.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, amounts receivable, investment, due from related parties, accounts payable and accrued liabilities, loans payable and due to related parties. The fair value of cash, amounts receivable, due from related parties, accounts payable and accrued liabilities, loans payable approximates their carrying value due to their short-term nature. Investments are carried at fair value.

The Company classified its financial assets and liabilities at fair value through profit or loss or at amortized costs. There are no financial instruments at fair value through other comprehensive income.

OTHER RISKS AND UNCERTAINTIES

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

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

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

Property title

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

Licenses and permits

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

Operating hazards and risks

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

Competition

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

Profitability of operations

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

Market risks

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

Future financings

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

Going concern

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

Cyber security risk

Cyber security risk is the risk of negative impact on the operations and financial affairs of the Company due to cyber attacks, destruction or corruption of data, and breaches of its electronic systems. Management believes that it has taken reasonable and adequate steps to mitigate the risk of potential damage to the Company from such risks. The Company also relies on third-party service providers for the storage and processing of various data. A cyber security incident against the Company or its contractors and service providers could result in the loss of business sensitive, confidential or personal information as well as violation of privacy and security laws, litigation and regulatory enforcement and costs. The Company has not experienced any material losses relating to cyber attacks or other information security breaches, however there can be no assurance that it will not incur such losses in the future.

Coronavirus Global Pandemic Risk

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 declines in the 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.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

SCHEDULE "F"
INTERIM FINANCIAL STATEMENTS OF THE ISSUER
FOR THE NINE MONTHS ENDED APRIL 30, 2021

[inserted as pages following]

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

Nine Months Ended April 30, 2021

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

Nine Months Ended April 30, 2021

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|--|------|
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NOTICE TO READERS

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Zadar Ventures Ltd. for the nine months ended April 30, 2021 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these interim financial statements.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

| | As at April 30, 2021 | As at July 31, 2020 |
|--|----------------------------|---------------------------|
| Assets | | |
| Current | | |
| Cash | \$ 856,716 | \$ 196,240 |
| Amounts receivable (Note 4) | 105,514 | 109,713 |
| Investment (Note 5) | 31,615 | 32,708 |
| Goods and services tax recoverable | 8,212 | 7,347 |
| Due from related parties (Note 11) | 139 | 19,055 |
| Prepaid expenses and deposits | 396,263 | 374,535 |
| | <u>1,398,459</u> | <u>739,598</u> |
| Right-of-use asset (Note 6) | 20,812 | 48,610 |
| Exploration and evaluation assets (Note 7) | 28,000 | 28,000 |
| | <u>\$ 1,447,271</u> | <u>\$ 816,208</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 75,203 | \$ 50,366 |
| Share subscriptions refundable (Note 8) | 26,000 | 26,000 |
| Loans payable (Note 12) | 1,032 | 1,032 |
| Lease liability (Note 13) | 18,844 | 39,723 |
| Due to related parties (Note 11) | 27,103 | 18,703 |
| | <u>148,182</u> | <u>135,824</u> |
| Lease liability (Note 13) | - | 6,169 |
| | <u>148,182</u> | <u>141,993</u> |
| Shareholders' Equity | | |
| Share capital (Note 8) | 9,299,622 | 9,288,997 |
| Subscriptions received in advance (Note 8) | 987,158 | - |
| Contributed surplus | 672,064 | 672,064 |
| Deficit | (9,659,755) | (9,286,846) |
| | <u>1,299,089</u> | <u>674,215</u> |
| | <u>\$ 1,447,271</u> | <u>\$ 816,208</u> |

Nature of operations and going concern (Note 1)

Commitments (Note 13)

Subsequent events (Note 14)

On behalf of the board:

_____, Director _____, Director

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

| | For the Three Months Ended | | For the Nine Months Ended | |
|--|-------------------------------|--------------------|------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Administrative expenses | | | | |
| Accounting and audit | \$ 7,262 | \$ 3,724 | \$ 39,642 | \$ 10,249 |
| Accretion | 234 | 802 | 2,815 | 1,375 |
| Amortization | 12,107 | 10,269 | 33,646 | 31,151 |
| Bank charges and interest | (178) | 227 | 508 | 403 |
| Consulting (Note 11) | 55,263 | - | 100,616 | 164 |
| Legal | 4,424 | 2,172 | 8,813 | 4,684 |
| Listing and filing fees | 11,841 | 2,165 | 23,131 | 8,156 |
| Management fees (Note 11) | 27,500 | 28,500 | 84,500 | 84,500 |
| Office and sundry | 26,641 | 20,616 | 69,370 | 56,267 |
| Promotion and travel | 35,126 | 9,425 | 36,544 | 11,898 |
| | <u>(180,220)</u> | <u>(77,900)</u> | <u>(399,585)</u> | <u>(208,847)</u> |
| Other income | 9,000 | - | 27,769 | - |
| Unrealized gain (loss) on investment (Note 5) | <u>(993)</u> | <u>(12,893)</u> | <u>(1,093)</u> | <u>15,042</u> |
| Net loss and comprehensive loss | \$ <u>(172,213)</u> | \$ <u>(90,793)</u> | \$ <u>(372,909)</u> | \$ <u>(193,805)</u> |
| Basic and diluted loss per share | \$ <u>(0.01)</u> | \$ <u>(0.00)</u> | \$ <u>(0.02)</u> | \$ <u>(0.01)</u> |
| Basic and diluted weighted average shares outstanding | <u>23,554,134</u> | <u>20,179,134</u> | <u>23,471,259</u> | <u>18,701,032</u> |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

| | Shares of common stock | Share capital | Subscriptions receivable | Subscriptions received | Contributed surplus | Deficit | Total |
|--------------------------|------------------------------|---------------------|-----------------------------|---------------------------|------------------------|-----------------------|---------------------|
| July 31, 2019 | 17,679,134 | \$ 8,662,578 | \$ (32,500) | \$ - | \$ 672,064 | \$ (8,967,812) | \$ 334,330 |
| Issued for cash | 2,500,000 | 162,500 | (16,250) | - | - | - | 146,250 |
| Subscriptions receivable | - | - | 32,500 | - | - | - | 32,500 |
| Net loss | - | - | - | - | - | (193,805) | (193,805) |
| April 30, 2020 | 20,179,134 | 8,825,078 | (16,250) | - | 672,064 | (9,161,617) | 319,275 |
| Issued for cash | 3,000,000 | 450,000 | - | - | - | - | 450,000 |
| Exercise of warrants | 250,000 | 21,250 | - | - | - | - | 21,250 |
| Subscriptions receivable | - | - | 16,250 | - | - | - | 16,250 |
| Share issue costs | - | (7,331) | - | - | - | - | (7,331) |
| Net loss | - | - | - | - | - | (125,229) | (125,229) |
| July 31, 2020 | 23,429,134 | 9,288,997 | - | - | 672,064 | (9,286,846) | 674,215 |
| Exercise of warrants | 125,000 | 10,625 | - | - | - | - | 10,625 |
| Subscriptions received | - | - | - | 987,158 | - | - | 987,158 |
| Net loss | - | - | - | - | - | (372,909) | (372,909) |
| April 30, 2021 | 23,554,134 | \$ 9,299,622 | \$ - | \$ 987,158 | \$ 672,064 | \$ (9,659,755) | \$ 1,299,089 |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Nine Months Ended April 30, **2021** **2020**

| | | |
|--|-------------------|------------------|
| Cash flows used in operating activities | | |
| Net loss | \$ (372,909) | \$ (193,805) |
| Adjustments for: | | |
| Accretion and amortization | 36,461 | 32,526 |
| Unrealized loss (gain) on investment | 1,093 | (15,042) |
| Changes in non-cash working capital | | |
| Goods and services tax recoverable | (865) | 567 |
| Prepaid expenses | (21,728) | (231,979) |
| Accounts payable and accrued liabilities | 24,837 | 8,652 |
| Lease liability | (35,711) | (20,827) |
| | <u>(368,822)</u> | <u>(419,908)</u> |
| Cash flows from (used in) investing activities | | |
| Exploration and evaluation expenditures | - | (6,000) |
| Amounts receivable | 4,199 | 3,253 |
| | <u>4,199</u> | <u>(2,747)</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock, net of issue costs | - | 178,750 |
| Exercise of warrants | 10,625 | - |
| Subscriptions received in advance | 987,158 | - |
| Advances from (to) related parties | 27,316 | (2,236) |
| Loans repaid | - | (9,798) |
| | <u>1,025,099</u> | <u>166,716</u> |
| Increase (Decrease) in cash | 660,476 | (255,939) |
| Cash at beginning of the period | <u>196,240</u> | <u>294,872</u> |
| Cash at end of the period | <u>\$ 856,716</u> | <u>\$ 38,933</u> |
| Supplemental disclosure with respect to cash flows | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

See accompanying notes to the condensed consolidated interim financial statements.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

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 \$9,659,755 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

(a) Statement of compliance

These condensed consolidated interim 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”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

The policies presented in Note 3 were consistently applied to all periods presented. The condensed consolidated interim financial statements were approved by the Board of Directors on June 29, 2021.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

2. Basis of Preparation (continued)

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. All dollar amounts are presented in Canadian dollars, which is also the functional currency of the Company and its wholly owned subsidiary, unless otherwise specified.

(c) Principals of consolidation

These consolidated financial statements include the accounts of the Company and its controlled wholly owned subsidiary, Zadar Minerals Corp. ("ZMC"). ZMC was incorporated on March 12, 2021 in British Columbia and is inactive. Inter-company transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the condensed consolidated interim 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:

Judgments

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

3. Significant Accounting Policies (continued)

(a) Significant Accounting Estimates and Judgments (continued)

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.

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.

Estimates

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

3. Significant Accounting Policies (continued)

(b) Changes in Accounting Policies

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. The Company adopted IFRS 16 on August 1, 2019. 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 13.

4. Amounts Receivable

Amounts receivable as at April 30, 2021 and July 31, 2020 are due from former officers and/or former directors of the Company and companies controlled by them. The balances as at April 30, 2021 and July 31, 2020 are non-interest bearing, unsecured and due on demand.

5. Investment

| | April 30, 2021 | July 31, 2020 |
|-----------------------|--------------------|--------------------|
| Cost | \$ 1,248,000 | \$ 1,248,000 |
| Fair value adjustment | <u>(1,216,385)</u> | <u>(1,215,292)</u> |
| Total | <u>\$ 31,615</u> | <u>\$ 32,708</u> |

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 April 30, 2021, the fair value of the GRIT shares is \$31,615 (July 31, 2020 - \$32,708).

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

6. Right-of-use asset

| | April 30, 2021 | July 31, 2020 |
|------------------------------|-----------------|-----------------|
| Balance, beginning of period | \$ 48,610 | \$ - |
| Additions (Note 13) | 5,848 | 90,259 |
| Amortization | <u>(33,646)</u> | <u>(41,649)</u> |
| Balance, end of period | \$ 20,812 | \$ 48,610 |

During the year ended July 31, 2020, the Company recognized a right-of-use asset related to an operating lease contract for office space as described in Note 13.

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

7. Exploration and Evaluation Assets (continued)

Whiskey Gap (continued)

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 April 30, 2021, there have been no changes in management's analysis that would support renewed capitalization of costs with respect to this property.

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 April 30, 2021, 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 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);

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

7. Exploration and Evaluation Assets (continued)

WSP/CR Claims (continued)

- 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.

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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

7. Exploration and Evaluation Assets (continued)

East Boundary Mineral Claims (continued)

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). 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.

During the year ended July 31, 2019, the Company wrote-down the full \$165,000 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 April 30, 2021, there have been no changes in management's analysis that would support renewed capitalization of costs with respect to this property.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

7. Exploration and Evaluation Assets (continued)

Exploration and Evaluation Expenditures

Details of exploration and evaluation expenditures for the nine months ended April 30, 2021 and for the year ended July 31, 2020 are as follows:

| | Acquisition Costs April 30, 2021 | Exploration Costs April 30, 2021 | Total April 30, 2021 | Total July 31, 2020 |
|---------------------------------------|---|---|----------------------------|---------------------------|
| Whisky Gap | | | | |
| Balance, beginning of period | \$ 18,000 | \$ - | \$ 18,000 | \$ 18,000 |
| Balance, end of period | <u>18,000</u> | <u>-</u> | <u>18,000</u> | <u>18,000</u> |
| Pasfield Lake | | | | |
| Balance, beginning of period | 10,000 | - | 10,000 | 10,000 |
| Balance, end of period | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>10,000</u> |
| East Boundary | | | | |
| Acquisition costs - shares | - | - | - | - |
| Property maintenance | - | - | - | 6,000 |
| Mineral property costs for the period | - | - | - | 6,000 |
| Balance, beginning of period | - | - | - | - |
| Write-down | - | - | - | (6,000) |
| Balance, end of period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | \$ 28,000 | \$ - | \$ 28,000 | \$ 28,000 |

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

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 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 of which \$16,250 is received in May 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 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.

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.

On January 28, 2021, the Company issued a total of 125,000 common shares in the capital of the Company for gross proceeds of \$10,625 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 April 30, 2021, the Company had no stock options outstanding.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

8. Share Capital (continued)

(d) Share purchase warrants

| | Number of warrants | Weighted average exercise price \$ |
|--|-----------------------|--|
| 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 |
| Exercised | (125,000) | 0.085 |
| Warrants outstanding at April 30, 2021 | 12,625,000 | 0.136 |

As at April 30, 2021, the following warrants remain outstanding:

| Number of warrants | Exercise price | Expiry date |
|--------------------|----------------|------------------|
| 7,375,000 | \$0.085 | May 23, 2022 |
| 2,250,000 | \$0.085 | January 9, 2023 |
| 3,000,000 | \$0.300 | December 2, 2021 |
| 12,625,000 | | |

(e) Share subscriptions refundable

As at April 30, 2021, the Company had a share subscription refundable in the amount of \$26,000 (July 31, 2020 - \$26,000) to an investor in connection with the private placement that closed on May 23, 2019.

(f) Subscriptions received in advance

As at April 30, 2021, the Company had \$987,158 (July 31, 2020 - \$Nil) of subscriptions received in advance related to the closing of a non-brokered private placement subsequent to the nine months ended April 30, 2021 (Note 14).

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

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.

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, share subscriptions refundable and loans payable approximate their fair value due to the short-term nature of these instruments. The carrying value of lease liability approximate its fair value as it bears interest that approximates current market rates.

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 April 30, 2021, the Company had a cash balance of \$856,716 (July 31, 2020 - \$196,240) to settle current liabilities of \$148,182 (July 31, 2020 - \$135,824). 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.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

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 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 April 30, 2021, the Company has an investment with a fair value of \$31,615. Each 10% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately \$3,200.

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 April 30, 2021, the Company owns 676,129 GRIT common shares with each common share valued at £0.0275 or \$0.0468. 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 \$3,200.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

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 nine months ended April 30, 2021.

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 and consulting 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.

| Nine Months Ended April 30, | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| Consulting fees | \$ 7,262 | \$ - |
| Management fees | 39,500 | 38,500 |
| | <u>\$ 46,762</u> | <u>\$ 38,500</u> |

Amounts due from related parties comprise \$139 (July 31, 2020 - \$19,055) 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 \$27,103 (July 31, 2020 - \$18,703) 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 April 30, 2021 and July 31, 2020 are due to former officers and/or former directors of the Company and companies controlled by them. The balances as at April 30, 2021 and July 31, 2020 are non-interest bearing, unsecured and due on demand.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

April 30, 2021

13. Commitments

The Company has entered into an operating lease contract for office space. The future minimum payments under the lease as at April 30, 2021 are as follows:

| | | |
|------|----|--------|
| 2021 | \$ | 12,000 |
| 2022 | | 8,000 |
| | \$ | 20,000 |

On August 1, 2019, the Company adopted IFRS 16 Leases and 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%. Effective January 1, 2021, the base rent and additional rent payment increased to \$4,000 per month resulting in an addition to the right-of-use asset and lease liability in the amount of \$5,848 during the nine months ended April 30, 2021.

During the nine months ended April 30, 2021, the Company recorded an accretion expense of \$2,815 (2020 - \$1,375) related to the lease liability.

14. Subsequent Events

On June 23, 2021, the Company closed a definitive share exchange agreement with XRApplied SAS ("XRA"), a leader 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 acquired all the outstanding shares of XRA in exchange for 40,000,000 common shares of the Company and raised \$1,221,658 by way of a non-brokered private placement of 3,490,450 units at \$0.35 per unit for gross proceeds of \$1,221,658. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.75 per share during the first year and \$1.00 per share during the second year.

On June 23, 2021, the Company received conditional approval to list on the Canadian Securities Exchange.

Further to the acquisition of XRA, the Company's board of directors has approved the spinout of the Company's mineral property interests (the "Properties"). The Properties will be transferred to the newly incorporated subsidiary of the Company, Zadar Minerals Corp., pursuant to a formal business reorganization. Under the reorganization, the subsidiary will distribute its shares to the existing shareholders of the Company in consideration of the transfer of the Properties to the subsidiary. The subsidiary will then cease to be a subsidiary of the Company and will be wholly owned by the existing shareholders of the Company. The existing shareholders of the Company entitled to receive shares of Zadar Minerals Corp. do not include those shareholders who recently received Company shares pursuant to the acquisition of XRA or the concurrent private placement.

SCHEDULE “G”

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED APRIL 30, 2021**

[inserted as pages following]

ZADAR VENTURES LTD.
Management Discussion and Analysis
(Expressed in Canadian Dollars, Unless Otherwise Stated)
For the Nine Months Ended April 30, 2021

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) of the operating results and financial condition of Zadar Ventures Ltd. (the “Company” or “Zadar”) for the nine months ended April 30, 2021 should be read in conjunction with the unaudited consolidated interim financial statements for the nine months ended April 30, 2021 and the audited financial statements for year ended July 31, 2020, which are prepared in accordance with International Financial Reporting Standards (“IFRS”).

This MD&A is prepared as of June 29, 2021. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

DESCRIPTION OF THE BUSINESS

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

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

The Company’s corporate office and principal place of business is at Suite 908 – 510 Burrard Street, Vancouver, B.C. V6C 3A8.

The Company is engaged in the business of mineral exploration. It acquires, explores, and develops mineral resource properties.

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.'s prolific Golden Triangle.

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 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 (issued). 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.

During the year ended July 31, 2019, management wrote down the full \$135,000 of capitalized costs accumulated on the property to \$Nil as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated a write down at this time in line with the Company's accounting policy for exploration and evaluation assets.

Whiskey Gap Property

The Company entered into an Option Agreement dated April 29, 2010 as amended on May 30, 2011, September 30, 2011, June 1, 2012, November 19, 2014, November 28, 2015, November 23, 2017 and November 17, 2018 with 1177129 Alberta Limited (the "Optionor"). The Optionor is a wholly owned subsidiary of International Ranger Corp. Jason Walsh, who is the President and Director of the Optionor, is also a Director of International Ranger Corp. and a shareholder and former Chief Financial Officer and Secretary of International Ranger Corp.

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

- a) \$12,500 (paid) and issue and allot to the Optionor 10,000 shares of the Company (issued);
- b) on or before the first anniversary of the execution of the Agreement, it must pay the Optionor a further \$12,500 (paid) and issue and allot to the Optionor a further 20,000 shares (issued);
- c) on or before the second anniversary of the execution of the Agreement, it must pay the Optionor a further \$25,000 (paid) and issue and allot to the Optionor a further 30,000 shares (issued);

- d) on or before September 30, 2010, the Company shall expend not less than \$100,000 on Exploration Expenditures on the Property (incurred);
- e) on or before June 30, 2012, the Company shall pay \$100,000 to the Optionor (paid);
- f) on or before December 31, 2012, the Company shall pay a further \$50,000 (paid) and issue and allot to the Optionor a further 50,000 shares (issued).

The Company has a further option to acquire the remaining 40% interest in the Property by issuing the Optionor an additional 100,000 shares (issued) and paying the Optionor \$100,000 on or before June 30, 2020.

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

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 in line with the Company's accounting policy for exploration and evaluation assets.

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).

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

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

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

WSP and CR Lithium Projects

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.

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 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:

- a) US\$50,000 on the effective date (paid);
- b) 100,000 common shares on TSX.V approval (issued);
- c) US\$50,000 on or before March 25, 2016 (paid);
- d) 100,000 common shares on each of February 25, 2017 (issued), December 1, 2018 (issued), December 1, 2019 and December 1, 2020;
- e) US\$75,000 on each of February 25, 2017 (paid) and December 1, 2018; and
- f) 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 recorded a provision for write-down in the amount of \$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. 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 due to the same issues that were presented at July 31, 2018.

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

SUMMARY OF RECENT EVENTS

Private Placements and Warrants Exercised

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.

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.

On January 28, 2021, the Company issued a total of 125,000 common shares in the capital of the Company for gross proceeds of \$10,625 upon exercise of share purchase warrants at a price of \$0.085 per share.

Subsequent to the nine months ended April 30, 2021, the Company closed a non-brokered private placement of 3,490,450 units at \$0.35 per unit for gross proceeds of \$1,221,658. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.75 per share during the first year and \$1.00 per share during the second year.

Augmented Reality Space

On June 23, 2021, the Company closed a definitive share exchange agreement with XRApplied SAS (“XRA”), a leader 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 acquired all the outstanding shares of XRA in exchange for 40,000,000 common shares of the Company.

Listing on Canadian Securities Exchange

On June 23, 2021, the Company received conditional approval to list on the Canadian Securities Exchange.

Spinout of Mineral Property Interests

Further to the acquisition of XRA, the Company's board of directors has approved the spinout of the Company's mineral property interests (the "Properties"). The Properties will be transferred to a newly incorporated subsidiary of the Company, Zadar Minerals Corp. (incorporated on March 12, 2021 in BC), pursuant to a formal business reorganization. Under the reorganization, the subsidiary will distribute its shares to the existing shareholders of the Company in consideration of the transfer of the Properties to the subsidiary. The subsidiary will then cease to be a subsidiary of the Company and will be wholly owned by the existing shareholders of the Company. The existing shareholders of the Company entitled to receive shares of Zadar Minerals Corp. do not include those shareholders who recently received Company shares pursuant to the acquisition of XRA or the concurrent private placement.

RESULTS OF OPERATIONS

Nine months ended April 30, 2021 and 2020

The Company's net loss for the nine months ended April 30, 2021 was \$372,909 as compared to a net loss of \$193,805 for the nine months ended April 30, 2020.

Accounting and audit increased to \$39,642 compared to \$10,249 in 2020, legal fees increased to \$8,813 compared to \$4,684 in 2020, listing and filing fees increased to \$23,131 compared to \$8,156 in 2020, office and sundry increased to \$69,370 compared to \$56,267 in 2020 and promotion and travel increased to \$36,544 compared to \$11,898 in 2020. Consulting fees increased to \$100,616 compared to \$164 in 2020 mainly due to services related to the strategic partnership between the Company and XRA.

Other income increased by \$27,769 compared to \$Nil in 2020 due to the recovery of shared office costs in the Company's head office.

The Company also recognized an unrealized loss on its investment of \$1,093. In 2020, the Company recorded an unrealized gain on investment of \$15,042.

Cash used in operating activities decreased to \$368,822 for the nine months ended April 30, 2021 compared to \$419,908 for the comparative period in 2020 mainly as a result of a deposit paid during the comparative period and partially offset by an increase in general and administrative expenses during the current period. In addition, cash provided by financing activities increased to \$1,025,099 for the nine months ended April 30, 2021 compared to \$166,716 for the comparative period in 2020 mainly due to the Company receiving subscriptions in advance of \$987,158 as discussed above.

Quarter ended April 30, 2021 and 2020

The Company's net loss for the three months ended April 30, 2021 was \$172,213 as compared to a net loss of \$90,793 for the three months ended April 30, 2020.

Accounting and audit increased to \$7,262 in 2021 compared to \$3,724 in 2020, consulting fees increased to \$55,263 in 2021 compared to \$Nil in 2020 mainly due to services related to the strategic partnership between the Company and XRA, listing and filing fees increased to \$11,841 compared to \$2,165 in 2020, office and sundry increased to \$26,641 compared to \$20,616 in 2020 and promotion and travel increased to \$35,126 compared to \$9,425 in 2020.

Other income increased by \$9,000 in 2021 compared to \$Nil in 2020 due to the recovery of shared office costs in the Company's head office.

The Company also recognized an unrealized loss on its investment of \$993. In 2020, the Company recorded an unrealized loss on investment of \$12,893.

SUMMARY OF QUARTERLY RESULTS

| Quarter ended | Revenue \$ | Net loss \$ | Loss per share \$ |
|----------------------|-------------------|--------------------|--------------------------|
| April 30, 2021 | – | (172,213) | (0.01) |
| January 31, 2021 | – | (122,450) | (0.01) |
| October 31, 2020 | – | (78,246) | (0.00) |
| July 31, 2020 | – | (125,229) | (0.01) |
| April 30, 2020 | – | (90,793) | (0.00) |
| January 31, 2020 | – | (84,369) | (0.00) |
| October 31, 2019 | – | (18,643) | (0.00) |
| July 31, 2019 | – | (241,924) | (0.02) |

There are no meaningful trends evident from analysis of the summary of quarterly financial information over the last eight quarters. Factors that can cause fluctuations in the Company's quarterly results are fluctuation in market value of its investments, write-down of exploration and evaluation assets and other legal matters.

LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2021, the Company had working capital of \$1,250,277. To date, the Company has relied entirely upon the sale of common shares to generate working capital for exploration activities and to fund the administration expenses of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of common shares to raise capital. There can be no assurance that financing will be available to the Company when required.

Cash flows provided by financing activities for the nine months ended April 30, 2021 was \$1,025,099, mainly from share subscriptions received in advance of \$987,158 related to the closing of a non-brokered private placement subsequent to the nine months ended April 30, 2021 compared to cash flows of \$166,716 in 2020, mainly from cash received related to a non-brokered private placement of 2,500,000 units at \$0.065 per unit for gross proceeds of \$162,500 that closed in January 2020.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. The Company does not believe that its current financial resources will be adequate to meet its business objectives and projected working capital and other cash requirements for at least 12 months. There can be no assurance that these funds will be sufficient and the Company will have to evaluate additional means of financing, including additional debt or equity financings. See "Risk Factors".

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the nine months ended April 30, 2021, the Company incurred an aggregate of \$39,500 (2020 - \$38,500) for management fees of which \$8,000 (2020 - \$7,000) was payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the Chairman of the Company and \$31,500 (2020 - \$31,500) was payable to GRW Inc., a company wholly owned by Geoffrey R. Watson, the CFO and Secretary of the Company.

During the nine months ended April 30, 2021, the Company incurred an aggregate of \$7,262 (2020 - \$Nil) for consulting fees payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the Chairman of the Company.

Amounts due from related parties comprise \$139 (July 31, 2020 - \$139) in advances to officers, directors and a company with officers and directors in common and \$27,103 (July 31, 2020 - \$18,703) in advances from companies with officers and directors in common. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

COMMON SHARES OUTSTANDING

As of April 30, 2021, a total of 23,554,134 common shares were issued and outstanding. As of the date of this report, a total of 67,494,584 common shares were issued and outstanding.

WARRANTS OUTSTANDING

As of April 30, 2021 and the date of this report, the Company has 7,375,000 warrants outstanding exercisable at \$0.085 until May 23, 2022, 2,250,000 warrants outstanding exercisable at \$0.085 until January 9, 2023, 3,000,000 warrants outstanding exercisable at \$0.300 until December 2, 2021 and 3,940,450 warrants outstanding exercisable at \$0.75 per share during the first year and \$1.00 per share during the second year (issued subsequent to the nine months ended April 30, 2021).

OPTIONS OUTSTANDING

As of April 30, 2021, and as at the date of this report, the Company did not have any options outstanding.

CRITICAL ACCOUNTING ESTIMATES

Mineral Properties and Exploration Costs

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

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

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

Asset Retirement Obligations

The Company's exploration activities to date have consisted principally of geophysics. As a result, there has been little to no impact on the physical state of the properties that would give rise to asset retirement obligations.

CHANGES IN ACCOUNTING POLICIES

The Company did not adopt any new accounting policies during the nine months ended April 30, 2021.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, amounts receivable, investment, due from related parties, accounts payable and accrued liabilities, loans payable and due to related parties. The fair value of cash, amounts receivable, due from related parties, accounts payable and accrued liabilities, loans payable approximates their carrying value due to their short-term nature. Investments are carried at fair value.

The Company classified its financial assets and liabilities at fair value through profit or loss or at amortized costs. There are no financial instruments at fair value through other comprehensive income.

OTHER RISKS AND UNCERTAINTIES

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

Risks associated with exploration stage companies

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

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

Property title

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

Licenses and permits

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

Operating hazards and risks

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

Competition

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

Profitability of operations

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

Market risks

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

Future financings

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

Going concern

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

Cyber security risk

Cyber security risk is the risk of negative impact on the operations and financial affairs of the Company due to cyber attacks, destruction or corruption of data, and breaches of its electronic systems. Management believes that it has taken reasonable and adequate steps to mitigate the risk of potential damage to the Company from such risks. The Company also relies on third-party service providers for the storage and processing of various data. A cyber security incident against the Company or its contractors and service providers could result in the loss of business sensitive, confidential or personal information as well as violation of privacy and security laws, litigation and regulatory enforcement and costs. The Company has not experienced any material losses relating to cyber attacks or other information security breaches, however there can be no assurance that it will not incur such losses in the future.

Coronavirus Global Pandemic Risk

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 declines in the 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.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

SCHEDULE “H”

XRApplied Technologies Inc.

Pro-Forma Statement of Financial Position

April 30, 2021

(Unaudited)

XRApplied Technologies Inc.
Pro forma Interim Condensed Consolidated Statements of Financial Position
(Unaudited and Expressed in Canadian Dollars)

| As at April 30, 2021 | | Zadar Ventures Ltd. | XRApplied S.A.S. | Pro forma Adjustments | Pro forma Consolidated |
|---|--|------------------------|---------------------|----------------------------------|---------------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash | <i>Note 2g</i> <i>Note 2c</i> | \$ 856,716 | \$ 197,276 | \$ 137,100 234,500 | \$ 1,425,592 |
| Accounts receivable | | 105,514 | - | - | 105,514 |
| Investment | | 31,615 | - | - | 31,615 |
| Input tax credits recoverable | | 8,212 | 1,623 | - | 9,835 |
| Due from related parties | | 139 | - | - | 139 |
| Prepaid expenses and deposits | <i>Note 2g</i> | 396,263 | - | (346,630) | 49,633 |
| Total current assets | | 1,398,459 | 198,899 | \$ 24,970 | 1,622,328 |
| Right-of-use asset | | 20,812 | - | - | 20,812 |
| Intellectual property | <i>Note 2e</i> | - | - | 12,006,918 | 12,006,918 |
| Exploration and evaluation assets | <i>Note 2d</i> | 28,000 | - | (28,000) | - |
| Total assets | | \$ 1,447,271 | \$ 198,899 | \$ 12,003,888 | \$ 13,650,058 |
| Liabilities and Shareholders' Deficit / Equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | \$ 75,203 | \$ 3,689 | \$ - | \$ 78,892 |
| Share subscriptions refundable | | 26,000 | - | - | 26,000 |
| Loans payable | | 1,032 | - | - | 1,032 |
| Lease liabilities | | 18,844 | - | - | 18,844 |
| Due to related parties | <i>Note 2g</i> <i>Note 2g</i> <i>Note 2g</i> | 27,103 | 201,851 | 137,100 (758) (346,630) | 18,666 |
| Total liabilities | | 148,182 | 205,540 | (210,288) | 143,434 |
| Shareholders' deficit / equity | | | | | |
| Share capital | | | | | |
| Common shares | <i>Notes 2f, 3b</i> <i>Note 2c</i> <i>Notes 2d, 3b</i> | 9,299,622 | 7,339 | (7,339) 234,500 12,000,000 | 21,534,122 |
| Subscriptions received in advance | | 987,158 | - | - | 987,158 |
| Contributed surplus | | 672,064 | - | - | 672,064 |
| Cumulative translation adjustment | <i>Notes 2b, 2g</i> | - | 402 | (125) | 277 |
| Deficit | <i>Note 2h</i> <i>Note 2g</i> <i>Note 2d</i> | (9,659,755) | (14,382) | 758 14,382 (28,000) | (9,686,997) |
| Total Shareholders' deficit / equity | | 1,299,089 | (6,641) | 12,214,176 | 13,506,624 |
| Total liabilities and Shareholders' deficit | | \$ 1,447,271 | \$ 198,899 | \$ 12,003,888 | \$ 13,650,058 |

The accompanying notes are an integral part of this unaudited pro forma consolidated statement of financial position

XRApplied Technologies Inc.
Notes to the Pro Forma Statement of Financial Position
April 30, 2021
(Unaudited)

1. Basis of Presentation

XRApplied Technologies Inc. (the “Company”) is a former mineral exploration company, which recently acquired XRApplied S.A.S. (“XRA”) and its underlying intellectual property and cash.

During the fiscal year ended July 31, 2020, the Company entered into a Share Exchange Agreement dated July 17, 2020 with XRA and the shareholders of XRA. Closing under that agreement occurred on June 23, 2021, whereby the Company acquired all of the issued and outstanding shares of XRA from the holders thereof in exchange for 40,000,000 common shares of the Company (the “Acquisition”). The 40,000,000 shares were issued at the deemed price of \$0.30 per share, and reflected in the pro-forma statement as intellectual property.

Concurrent with the closing of the transaction, the Company also (i) completed a private placement (“Private Placement”) of 3,490,450 units at \$0.35 per unit for gross proceeds of \$1,221,658; and (ii) disposed of its mineral exploration properties and related assets (the “Property Disposition”).

The Company has treated the acquisition of XRA as an asset acquisition, and so the Company will continue to be treated as the reporting entity.

Management of the Company has prepared the unaudited pro forma consolidated statement of financial position as at April 30, 2021, as compiled from the unaudited interim financial statements of the Company at April 30, 2021 and available financial information of XRA as at June 30, 2020.

In the opinion of management of the Company, the pro forma consolidated statement of financial position includes all material adjustments necessary for fair presentation in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. In preparing the pro forma consolidated statement of financial position, no adjustments have been made to reflect the additional costs or savings that could result from combining the operations of the Company and XRA.

The pro forma consolidated statement of financial position is not necessarily indicative of the Company's financial position on the date of the completion of the Acquisition and Private Placement. It is the recommendation of the Company that the pro forma statement of financial position be read in conjunction with the Company's financial statements and the accompanying notes referred to above.

The unaudited pro forma consolidated statement of financial position of the Company, as at April 30, 2021, has been prepared by management of the Company for illustrative purposes only, to show the effect of the Acquisition, the Private Placement and the Property Disposition (notes 2 and 3).

2. Pro Forma Transactions, Assumptions and Adjustments

The pro forma consolidated statement of financial position gives effect to the Acquisition and has been prepared as if the transactions described below occurred at April 30, 2021.

The pro forma assumptions and adjustments are as follows:

- a) Pursuant to the Share Exchange Agreement, the Company issued to the shareholders of XRA 40,000,000 common shares at an agreed value of \$0.30 per share.
- b) The functional currency for XRA is the Euro and for presentation purposes, the statement of financial position has been translated at €1.00 per CDN \$1.48862 as at April 30, 2021, except for deficit and share capital. Deficit has been translated at the average rate for the period from incorporation of XRA on February 3, 2020 to June 30, 2020 at €1.00 per CDN \$1.51387, and share capital has been translated at the rate in effect on the date the shares were issued on February 3, 2020 at €1.00 per CDN \$1.46782.

XRApplied Technologies Inc.
Notes to the Pro Forma Consolidated Financial Statements
April 30, 2021
(Unaudited)

- c) In conjunction with the Acquisition, the Company completed an equity financing of \$1,221,658 through the issuance of 3,490,450 units (“Units”) at a price of \$0.35 per unit. Each Unit is comprised of one common share and one common share purchase warrant (a “Warrant”), with each Warrant entitling the holder to purchase one common share of the Company at any time during the 24 months following closing, at a price of \$0.75 per share during the first 12 months, and at \$1.00 per share during the second 12 months. At April 30, 2021, the Company had received \$987,158 in subscriptions in advance of the equity financing, with an expected \$234,500 to be received prior to closing.
- d) Concurrent with the Acquisition, the Company disposed of all of its exploration and evaluation assets, being its rights and interests to each of its mineral property assets - the Whisky Gap property, the Pasfield Lake property, and the East Boundary property, which had stated value of \$28,000, for nominal consideration.
- e) The accounting of the purchase price paid pursuant to the Share Exchange Agreement is the cost to acquire XRA’s share capital at the fair value at the time of the transaction. The fair value is calculated as \$12,000,000, being the cost of acquiring the 40,000,000 outstanding common shares of XRA by issuing 40,000,000 shares of the Company at \$0.30 per share.
- f) The assets and liabilities of XRA are included in the unaudited pro forma consolidated statement of financial position and are presented at their fair value, which is equal to their carrying value. The excess of the amount paid over the fair value of the net assets acquired, estimated at \$12,006,918, is realized as the cost of the intellectual property acquired. The excess was calculated as follows:

| | | |
|---|-----------|-------------------|
| Fair value of consideration: | | |
| 40,000,000 shares at \$0.30 per share | \$ | 12,000,000 |
| | | |
| Net assets acquired | | |
| Cash | \$ | (205,522) |
| Input tax credits recoverable | | (1,691) |
| Amounts payable | | 3,843 |
| Due to related party | | 210,288 |
| Net assets | \$ | 6,918 |
| | | |
| Excess of consideration over net assets required | \$ | 12,006,918 |

- g) The pre-acquisition equity of XRA will be eliminated on consolidation. This includes its share capital of \$7,339, cumulative translation adjustment of \$125 and deficit of \$14,382.
- h) Subsequent to June 30, 2020 and prior to April 30, 2021, \$137,100 additional funds were advanced from the Company to XRA. On consolidation, the total advances of \$346,630, including foreign currency translation of \$758, are eliminated against amounts due to related parties on the statement of financial position of XRA.

XRApplied Technologies Inc.
Notes to the Pro Forma Consolidated Financial Statements
April 30, 2021
(Unaudited)

3. Share Capital

a) Authorized: Unlimited common shares without par value.

b) Proforma common shares issued:

| | Number of Shares | Amount |
|--|---------------------|-------------------------------|
| Company original shares at market value | 23,554,134 | 9,299,622 |
| Shares issued to acquire XRA (at \$0.30 per share) | 40,000,000 | 12,000,000 |
| Company private placement (\$0.35 per unit) | 3,490,450 | 1,221,658 |
| | <hr/> 67,044,584 | <hr/> 22,521,280 <hr/> |

4. Income Tax

The effective consolidated pro forma tax rate is expected to approximate 27%.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, **XRApplied Technologies Inc.** hereby applies for the listing of its common shares on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to XRApplied Technologies Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 23rd day of July, 2021.

“Lior Ishai”

Lior Ishai, CEO

“Geoffrey Watson”

Geoffrey Watson, CFO

“Oleksiy Andriychenko”

Oleksiy Andriychenko, Director

“Kostiantyn Makeiev”

Kostiantyn Makeiev, Director

“Oleksiy Andriychenko”

Oleksiy Andriychenko, Promoter

“Kostiantyn Makeiev”

Kostiantyn Makeiev, Promoter

CERTIFICATE OF XRAPPLIED S.A.S.

The foregoing contains full, true and plain disclosure of all material information relating to XRApplied S.A.S. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 23rd day of July, 2021.

“Oleksiy Andriychenko”

Oleksiy Andriychenko, CEO

“Kostiantyn Makeiev”

Kostiantyn Makeiev, CTO