
XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

(an Exploration Stage Enterprise)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended July 31, 2021 and 2020

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(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders XRApplied Technologies Inc. (formerly Zadar Ventures Ltd.):

Opinion

We have audited the consolidated financial statements of XRApplied Technologies Inc. (formerly Zadar Ventures Ltd.) and its subsidiary (together the "Company"), which comprise the consolidated statements of financial position as at July 31, 2021 and July 31, 2020, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2021 and July 31, 2020, and its consolidated financial performance and its consolidated 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 Consolidated 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 consolidated 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 consolidated 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 & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.
January 7, 2022

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

(an Exploration Stage Enterprise)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at July 31, 2021	As at July 31, 2020
Assets		
Current		
Cash	\$ 793,049	\$ 196,240
Amounts receivable (Notes 6 and 11)	206,385	109,713
Investment (Note 7)	21,342	32,708
Input tax credits recoverable	51,640	7,347
Due from related parties (Note 14)	139	19,055
Prepaid expenses and deposits	138,765	374,535
	<u>1,211,320</u>	<u>739,598</u>
Right-of-use asset (Note 8)	209,778	48,610
Intellectual property (Notes 4 and 9)	11,744,370	-
Exploration and evaluation assets (Notes 5 and 10)	-	28,000
	<u>\$ 13,165,468</u>	<u>\$ 816,208</u>

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 316,442	\$ 50,366
Share subscriptions refundable (Note 11)	26,000	26,000
Loans payable (Note 15)	1,032	1,032
Lease liability (Note 17)	45,666	39,723
Due to related parties (Note 14)	9,303	18,703
	<u>398,443</u>	<u>135,824</u>
Lease liability (Note 17)	162,192	6,169
	<u>560,635</u>	<u>141,993</u>

Shareholders' Equity

Share capital (Note 11)	22,358,207	9,288,997
Contributed surplus	846,587	672,064
Foreign currency translation reserve	71,669	-
Deficit	<u>(10,671,630)</u>	<u>(9,286,846)</u>
	<u>12,604,833</u>	<u>674,215</u>
	<u>\$ 13,165,468</u>	<u>\$ 816,208</u>

Nature of operations and going concern (Note 1)

Commitments (Note 17)

Subsequent events (Note 19)

On behalf of the board:

"Mark Tommasi", Director "Yana Bobrovskaya", Director

See accompanying notes to the consolidated financial statements.

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

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Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

	For the Years Ended July 31,	
	2021	2020
Administrative expenses		
Accounting and audit	\$ 53,922	\$ 37,812
Accretion	3,182	2,502
Amortization	690,379	41,649
Bank charges and interest	823	476
Consulting (Note 14)	286,318	55,164
Legal	9,962	5,578
Listing and filing fees	55,302	31,836
Management fees (Note 14)	114,000	115,000
Office and sundry	115,175	73,119
Promotion and travel	53,124	15,258
	<u>(1,382,187)</u>	<u>(378,394)</u>
Other income (expenses)	36,769	18,923
Unrealized gain (loss) on investment (Note 7)	(11,366)	16,437
Write-off of accounts payable	-	30,000
	<u>(1,356,784)</u>	<u>(313,034)</u>
Net loss from discontinued operations (Note 10)	-	(6,000)
Net loss for the year	(1,356,784)	(319,034)
Foreign currency translation adjustment	71,669	-
	<u>(1,285,115)</u>	<u>(319,034)</u>
Net loss and comprehensive loss for the year	\$ (1,285,115)	\$ (319,034)
Net loss per share		
Continuing operations – basic and diluted	\$ (0.05)	\$ (0.02)
Discontinuing operations – basic and diluted	\$ (0.00)	\$ (0.00)
Net loss basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
Basic and diluted weighted average shares outstanding	<u>28,420,218</u>	<u>19,591,702</u>

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

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Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Shares of common stock	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total
July 31, 2019	17,679,134	\$ 8,662,578	\$ 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
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
Issued for cash	3,490,450	1,047,135	174,523	-	-	1,221,658
Issued for XRApplied S.A.S. acquisition	40,000,000	12,000,000	-	-	-	12,000,000
Exercise of warrants	375,000	31,875	-	-	-	31,875
Share issue costs	-	(9,800)	-	-	-	(9,800)
Loss on transfer of spin-out assets	-	-	-	-	(28,000)	(28,000)
Foreign currency translation adjustment	-	-	-	71,669	-	71,669
Net loss	-	-	-	-	(1,356,784)	(1,356,784)
July 31, 2021	67,294,584	\$ 22,358,207	\$ 846,587	\$ 71,669	\$ (10,671,630)	\$ 12,604,833

See accompanying notes to the consolidated financial statements.

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

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Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Years Ended July 31,	2021	2020
Cash flows used in operating activities		
Net loss	\$ (1,356,784)	\$ (319,034)
Adjustments for:		
Accretion and amortization	693,561	44,151
Unrealized loss (gain) on investment	11,366	(16,437)
Write-off of accounts payable	-	(30,000)
Changes in non-cash working capital		
Input tax credits recoverable	(17,008)	(5,825)
Amounts receivable	8,328	(5,602)
Prepaid expenses and deposits	235,770	(357,251)
Accounts payable and accrued liabilities	(246,878)	(964)
	<u>(671,645)</u>	<u>(732,229)</u>
Losses from discontinued operations	-	6,000
	<u>(671,645)</u>	<u>(726,229)</u>
Cash flows from (used in) investing activities		
Exploration and evaluation expenditures	-	(6,000)
Acquisition of XRApplied S.A.S., net of acquisition costs	190,200	-
	<u>190,200</u>	<u>(6,000)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issue costs	1,106,858	658,919
Exercise of warrants	31,875	-
Lease liability	(47,711)	(46,869)
Advances from (to) related parties	9,516	(9,922)
Loans repaid	-	(9,798)
	<u>1,100,538</u>	<u>592,330</u>
Increase (Decrease) in cash	619,093	(98,632)
Effect of exchange rate changes on cash	(22,284)	-
Cash at beginning of the year	<u>196,240</u>	<u>294,872</u>
Cash at end of the year	<u>\$ 793,049</u>	<u>\$ 196,240</u>
Supplemental disclosure with respect to cash flows		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

(an Exploration Stage Enterprise)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

July 31, 2021 and 2020

1. Nature of Operations and Going Concern

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.) (the “Company”) was incorporated on August 6, 2008 under the Business Corporations Act of British Columbia and its principal activity is the development of augmented reality, virtual reality and mixed reality (“AR/VR/MR”) technologies. The Company is a public company with shares listed on the CSE exchange (CSE: XRA), OTCQB exchange (OTCQB: XRAPF) and the Frankfurt stock exchange (F: ZAV). The head office, principal address and records office of the Company are located at Suite 908 – 510 Burrard Street, Vancouver, B.C. V6C 3A8.

On July 19, 2021, Zadar Ventures Ltd. changed its name to XRApplied Technologies Inc.

Going concern of operations

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred \$10,671,630 of losses since its inception and the ability of the Company to continue as a going concern depends on its ability to raise adequate financing and to develop profitable operations. This creates a material uncertainty that 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. The Company entered the AR/VR/MR space during the year, but has not yet realized revenues from these operations. The ability of the Company to achieve profitable operations is dependent upon the Company leveraging the AR/VR/MR intellectual property to produce applications that are in demand and generate revenues to cover the costs of investment into their development.

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 consolidated 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 consolidated 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 consolidated financial statements were approved for issuance by the Board of Directors on January 7, 2022.

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

July 31, 2021 and 2020

2. Basis of Preparation (continued)

(b) Basis of measurement

These consolidated 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 the functional currency of the Company, unless otherwise specified.

(c) Principals of consolidation

These consolidated financial statements include the accounts of the Company and its controlled wholly owned subsidiaries, XRApplied S.A.S. ("XRA") acquired on June 23, 2021 (Note 4) and Zadar Minerals Corp. ("ZMC") incorporated on March 12, 2021 in British Columbia. ZMC was inactive from incorporation until it ceased to be a subsidiary of the Company pursuant to a formal business reorganization effective July 12, 2021 (Note 5). Inter-company transactions, including unrealized income and expenses arising from inter-company transactions, have been eliminated on consolidation.

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements, in conformity with IFRS, requires estimates and assumptions that affect the amounts reported in the consolidated 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 consolidated 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.

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

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3. Significant Accounting Policies (continued)

(a) Significant Accounting Estimates and Judgments (continued)

ii) Asset acquisition

During the Share Exchange between the Company and XRA described in Note 4, judgement was applied to determine if the transaction represented a business combination or an asset purchase. Management concluded that the acquisitions of XRA did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. No goodwill was recognized on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed. The excess of the purchase price over the fair values of the net assets acquired is realized as the cost of the intellectual property acquired. The fair values of the net assets acquired were calculated using significant estimates and judgments.

iii) Amounts receivable

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.

iv) 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.

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

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Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

July 31, 2021 and 2020

3. Significant Accounting Policies (continued)

(a) Significant Accounting Estimates and Judgments (continued)

v) 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.

ii) Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset’s useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

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(Expressed in Canadian Dollars)

July 31, 2021 and 2020

3. Significant Accounting Policies (continued)

(b) Currency translation

i) Functional and presentation currency

The functional currency of the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. The functional currency of the Company and ZMC is Canadian dollars. The functional currency of XRA is the Euro.

ii) Foreign currency

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss.

iii) Foreign operation

On consolidation, the assets and liabilities of a foreign operation are translated into Canadian dollars at the exchange rate prevailing at the reporting period end and its income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

(c) Intellectual property

The Company's intellectual property consists of a software platform (Note 4). Infinite life intangible assets are recorded at cost less accumulated impairment losses. Finite life intangible assets are recorded at cost and are amortized once they are in use on a straight-line basis over their estimated useful lives as follows:

Category	Useful life
Software platform	2 years

At the end of each reporting period, the Company assesses whether there has been any indication that an asset may be impaired. If an impairment indicator exists, the recoverable amount is determined and compared to the carrying amount of the asset or the CGU to which the asset relates. If the recoverable amount is lower, any difference between the carrying amount and the recoverable amount is written off to profit or loss as an impairment charge.

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Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies (continued)

(d) 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.

(e) 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 consolidated 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.

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.

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Notes to the Consolidated Financial Statements

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3. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

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 within profit or loss, 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 in profit or loss 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 consolidated statement of loss and comprehensive loss in the period in which it arises. Investment is classified in this category.

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.

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3. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

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. The Company's financial liabilities are accounts payable and accrued liabilities, loans payable and due to related parties. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

(f) 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.

(g) 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.

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3. Significant Accounting Policies (continued)

(h) 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.

(i) Share Capital

The Company issues common shares and share purchase warrants from time to time, which are classified in the consolidated 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.

(j) 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.

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3. Significant Accounting Policies (continued)

(k) Leases and Right-of-use Assets

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.

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.

(l) Changes in Accounting Policies

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date later than August 1, 2020. These updates are not currently relevant to the Company or are not expected to have a material impact on the consolidated financial statements and are therefore not discussed herein.

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4. Asset Acquisition

On July 17, 2020, the Company entered into a Share Exchange Agreement with XRA and the shareholders of XRA. XRA is an arm's length French company conducting the development and deployment of AR/VR/MR technologies as well as assets like AR/VR games and AR/VR mobile applications. 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 40,000,000 common shares were issued at the deemed price of \$0.30 per share, of which 36,500,000 common shares are subject to certain escrow conditions (Note 11).

Concurrent with the closing of the transaction, the Company also (i) completed a private placement of 3,490,450 units at \$0.35 per unit for gross proceeds of \$1,221,658 (Note 11); and (ii) disposed of its mineral exploration properties and related assets (Notes 5 and 10).

The acquisition of XRA was not considered a "reverse take-over" or a business acquisition under IFRS 3 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 Company (such that it had no operating activities), and (ii) the two founders of XRA would not be the largest group of shareholders of the Company on closing. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire XRA.

The excess of the amount paid over the fair value of the net assets acquired is realized as the cost of the intellectual property acquired (Note 9). The excess is calculated as follows:

Purchase consideration:	\$
Common shares	12,000,000
Net assets acquired:	
Cash	199,275
Input tax credits recoverable	27,285
Intellectual property	167,886
Accounts payable and accrued liabilities	<u>(411,065)</u>
Net assets assumed	<u>(16,619)</u>
Excess over fair value of net assets acquired	<u>12,016,619</u>

During the year ended July 31, 2021, the Company capitalized acquisition costs of \$110,964 (2020 - \$Nil) related to the intellectual property acquired. As a result the capitalized cost of intellectual property totalled \$12,295,469 (capitalized costs consisting of the intellectual property of \$167,886, the capitalized acquisition costs of \$110,964 and the excess over fair value of net assets acquired of \$12,016,619).

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5. Disposition of Assets Upon Spinout

Further to the acquisition of XRA, the Company completed a formal business reorganization (the "Reorganization") with ZMC effective July 12, 2021. The Reorganization involved the spin-out of the Company's mineral property interests (the "Properties") into ZMC and distributed 7,809,710 shares of ZMC to the existing shareholders of the Company in consideration of the transfer of the Properties to ZMC. Upon completion of the Reorganization, ZMC ceased to be a subsidiary of the Company and became wholly owned by the existing shareholders of the Company, do not include those shareholders who recently received shares pursuant to the acquisition of XRA or the concurrent private placement.

The Properties, being the Company's 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, were disposed of for nominal consideration.

6. Amounts Receivable

Amounts receivable as at July 31, 2021 comprise of \$105,000 (2020 - \$Nil) subscriptions receivable (Note 11) and \$101,385 (2020 - \$109,713) due from former officers and/or former directors of the Company and companies controlled by them. The balances as at July 31, 2021 and 2020 are non-interest bearing, unsecured and due on demand.

7. Investment

	July 31, 2021	July 31, 2020
Cost	\$ 1,248,000	\$ 1,248,000
Fair value adjustment	<u>(1,226,658)</u>	<u>(1,215,292)</u>
Total	<u>\$ 21,342</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 July 31, 2021, the fair value of the GRIT shares is \$21,342 (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.

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8. Right-of-use asset

	July 31, 2021	July 31, 2020
Balance, beginning of year	\$ 48,610	\$ -
Additions (Note 17)	206,495	90,259
Amortization	<u>(45,327)</u>	<u>(41,649)</u>
Balance, end of year	<u>\$ 209,778</u>	<u>\$ 48,610</u>

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 17.

9. Intellectual Property

	Software Platform \$
Cost	
Balance, July 30, 2020	-
Additions from asset acquisition (Note 4)	12,295,469
Foreign currency adjustments	93,823
Balance, July 30, 2021	12,389,292
Accumulated amortization	
Balance, July 30, 2020	-
Amortization	645,052
Foreign currency adjustments	(130)
Balance, July 30, 2021	644,922
Net book value	
Balance, July 30, 2020	-
Balance, July 30, 2021	11,744,370

10. 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.

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10. Exploration and Evaluation Assets (continued)

Whiskey Gap (continued)

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

- \$12,500 (paid) and issue and allot to the Optionor 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.

On July 12, 2021, Whiskey Gap property was spun-out into ZMC pursuant to the Reorganization (Note 5).

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

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10. Exploration and Evaluation Assets (continued)

Pasfield Lake Project (continued)

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.

On July 12, 2021, Pasfield Lake property was spun-out into ZMC pursuant to the Reorganization (Note 5).

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.

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. During the year ended July 31, 2020, the Company capitalized and subsequently wrote down \$6,000 of further property 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 and 2020. The write down was done in accordance with level 3 of the fair value hierarchy.

On July 12, 2021, East Boundary property was spun-out into ZMC pursuant to the Reorganization (Note 5).

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10. Exploration and Evaluation Assets (continued)

Exploration and Evaluation Expenditures

Details of exploration and evaluation expenditures for the years ended July 31, 2021 and 2020 are as follows:

	Acquisition Costs July 31, 2021	Exploration Costs July 31, 2021	Total July 31, 2021	Total July 31, 2020
Whisky Gap				
Balance, beginning of year	\$ 18,000	\$ -	\$ 18,000	\$ 18,000
Disposition of assets upon spin-out (Note 5)	(18,000)	-	(18,000)	-
Balance, end of year	-	-	-	18,000
Pasfield Lake				
Balance, beginning of year	10,000	-	10,000	10,000
Disposition of assets upon spin-out (Note 5)	(10,000)	-	(10,000)	-
Balance, end of year	-	-	-	10,000
East Boundary				
Acquisition costs - shares	-	-	-	-
Property maintenance	-	-	-	6,000
Mineral property costs for the year	-	-	-	6,000
Balance, beginning of year	-	-	-	-
Write-down	-	-	-	(6,000)
Balance, end of year	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ 28,000

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11. Share Capital

(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.

On May 13, 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, of which \$105,000 was received subsequent to year-end and included in amounts receivable. 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 \$0.75 per share during the first year and \$1.00 per share during the second year. \$174,523 of gross proceeds were allocated to the warrants and are included in contributed surplus, under the residual value method.

On June 23, 2021, the Company issued 40,000,000 common shares in the capital of the Company valued at \$12,000,000, based on the share price on the date of issuance, pursuant to the acquisition of XRA (Note 4).

On July 19, 2021, 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.

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11. Share Capital (continued)

(c) Escrow Shares

36,500,000 common shares issued pursuant to the acquisition of XRA are subject to an escrow agreement dated June 17, 2021 (Note 4). Escrow shares will be released over a period of three years, as to 10% on the date the Company's securities are listed on a Canadian exchange (the "Listing Date") and an additional 15% every six months following the completion of the first release on the Listing Date. As at July 31, 2021, a total of 32,850,000 common shares were held in escrow.

(d) 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, 2021 and 2020, the Company had no stock options outstanding.

(e) 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
Issued*	3,490,450	0.750
Exercised	(375,000)	0.085
Warrants outstanding at July 31, 2021	15,865,450	0.272

In relation to the 250,000 warrants exercised during the year ended July 31, 2020, the weighted average trading price of the Company's shares was \$0.34 on the date of exercise.

In relation to the 375,000 warrants exercised during the year ended July 31, 2021, the weighted average trading price of the Company's shares was \$0.30 on the date of exercise.

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11. Share Capital (continued)

(e) Share purchase warrants (continued)

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

Number of warrants	Exercise price	Expiry date
7,125,000	\$0.085	May 23, 2022
2,250,000	\$0.085	January 9, 2023
3,000,000	\$0.300	June 30, 2022 (extended)**
3,490,450	\$0.750*	May 13, 2023
15,865,450		

*Exercise price for this issuance is \$0.75 in Year 1 and \$1.00 in Year 2.

**On October 26, 2021, the 3,000,000 warrants due to expire on December 2, 2021 have been extended to June 30, 2022 (Note 19).

(f) Share subscriptions refundable

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

12. 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.

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12. Financial Instruments and Risk Management (continued)

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 and French 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, 2021, the Company had a cash balance of \$793,049 (2020 - \$196,240) to settle current liabilities of \$398,443 (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 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 30, 2021, the Company has an investment with a fair value of \$21,342. Each 10% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately \$2,100.

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12. Financial Instruments and Risk Management (continued)

Foreign currency risk (continued)

The functional currency of XRA, the Company's controlled wholly owned subsidiary, is the Euro. As such, the Company is exposed to currency risk to the extent of its business transactions and balances that are denominated in the Euro. Based on the Company's net Euro currency exposure as at July 30, 2021, and assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the Euro would result in an increase/decrease of approximately \$10,700 in profit or loss for the year.

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, 2021, the Company owns 676,129 GRIT common shares with each common share valued at £0.0182 or \$0.0316. 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 \$2,100.

13. Capital Management

The Company includes issued common shares, contributed surplus, and deficit in the definition of capital, which amounts to \$12,604,833 as at July 31, 2021 (2020 - \$674,215).

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 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, 2021.

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14. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes directors and officers of the Company.

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. (controlled by Chairman)	Management and consulting fees
0868143 BC Ltd. (controlled by a director)	Consulting fees
GRW Inc. (controlled by Chief Financial Officer)	Management fees

The Company incurred the following fees and expenses in the normal course of operations with key management personnel.

Years Ended July 31,	2021	2020
Consulting fees	\$ 7,262	\$ -
Management fees	54,000	54,000
	<u>\$ 61,262</u>	<u>\$ 54,000</u>

Amounts due from related parties comprise \$139 (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 \$9,303 (2020 - \$18,703) in advances from companies with officers in common. The advances are unsecured, non-interest bearing and without specific repayment terms.

15. Loans Payable

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

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16. Income Taxes

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

Year ended July 31,	2021	2020
Loss before taxes	\$ (1,356,784)	\$ (319,034)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated tax recovery	(366,000)	(86,000)
Difference resulting from:		
Items not deductible for tax purposes and other	(42,000)	12,000
Share issue costs	(3,000)	(2,000)
Adjustment to prior year provisions	-	131,000
Change in unrecognized deferred tax assets	411,000	(55,000)
Deferred income taxes (recovery)	\$ -	\$ -

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.

Year ended July 31,	2021	2020
Exploration and evaluation assets	\$ 707,000	\$ 698,000
Intangible assets	174,000	-
Investment	166,000	164,000
Share issue costs	4,000	11,000
Non capital loss carry forwards	1,374,000	1,141,000
Deferred tax assets	2,425,000	2,014,000
Unrecognized deferred tax assets	(2,425,000)	(2,014,000)
Net deferred tax asset	\$ -	\$ -

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16. Income Taxes (continued)

The Company has non-capital losses carried forward of approximately \$4,942,000 that may be available to offset Canadian income for tax purposes in the future. The losses expire as follows:

<u>Year of expiry</u>	<u>Amount</u>
2041	\$ 673,000
2040	371,000
2039	408,000
2038	564,000
2037	854,000
2036	921,000
2035	218,000
2034	707,000
2033	-
2032	-
2031	131,000
2030	83,000
2029	12,000
	<u>\$ 4,942,000</u>

17. Lease Liability

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

2022	\$ 54,553
2023	57,546
2024	59,566
2025	60,745
2026	60,913
2027	10,152
	<u>\$ 303,475</u>

On August 1, 2019, the Company adopted IFRS 16 Leases and recognized the right-of-use asset (Note 8), 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 resulting in an addition to the right-of-use asset and lease liability in the amount of \$5,848 during the year ended July 31, 2021. On June 17, 2021, the Company entered into an extension agreement to extend the existing lease for the period from October 1, 2021 to September 30, 2016 resulting in an addition to the right-of-use asset and lease liability in the amount of \$200,647 during the year ended July 31, 2021.

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17. Lease Liability (continued)

During the year ended July 31, 2021, the Company recorded an accretion expense of \$3,182 (2020 - \$2,502) related to the lease liability.

The following table presents the lease obligations of the Company:

	Amount
Balance, July 31, 2019	\$ -
Additions	90,259
Payments of lease obligations	(46,869)
Accretion expense on lease obligations	2,502
Balance, July 31, 2020	45,892
Additions	206,495
Payments of lease obligations	(47,711)
Accretion expense on lease obligations	3,182
Balance, July 31, 2021	\$ 207,858
Non-current portion	(162,192)
Current portion	\$ 45,666

18. Segmented Information

The assets and operations of the Company are located in Canada and France.

	Canada	France	TOTAL
	\$	\$	\$
For the Year Ended July 31, 2021			
Net loss	(676,670)	(680,114)	(1,356,784)
As at July 31, 2021			
Current assets	1,023,324	187,996	1,211,320
Non-current assets	209,778	11,744,370	11,954,148
Total liabilities	479,543	81,092	560,635
For the Year Ended July 31, 2020			
Net loss	(319,034)	-	(319,034)
As at July 31, 2020			
Current assets	739,598	-	739,598
Non-current assets	76,610	-	76,610
Total liabilities	141,993	-	141,993

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19. Subsequent Events

On August 15, 2021, the Company issued a total of 1,250,000 common shares in the capital of the Company for gross proceeds of \$106,250 upon exercise of share purchase warrants at a price of \$0.085 per share.

On August 16, 2021, the Company granted 2,000,000 stock options exercisable at a price of \$0.41 per share for a period of 2 years expiring August 16, 2023. The stock options were issued to directors, officers and consultants of the Company.

On October 26, 2021, the Company granted 2,000,000 stock options exercisable at a price of \$0.25 per share for a period of 2 years expiring October 26, 2023. The stock options were issued to directors, officers and consultants of the Company.

On October 26, 2021, the 3,000,000 warrants due to expire on December 2, 2021 have been extended to June 30, 2022 (Note 11).

In December 2021, the Company's shares have been ceased traded by the British Columbia Securities Commission due to a delay in filing the Company's consolidated financial statements and accompanying management's discussion and analysis for the fiscal year ended July 31, 2021. The late filing is due to delays in obtaining the necessary financial information from the Company's newly acquired French subsidiary.