XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

Six Months Ended January 31, 2022

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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 XRApplied Technologies Inc. (formerly Zadar Ventures Ltd.) for the six months ended January 31, 2022 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed consolidated 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 condensed consolidated interim financial statements.

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	As at January 31, 2022	As at July 31, 2021
Assets		
Current		
Cash	**$ 340,064**	$ 793,049
Amounts receivable (Notes 6 and 11)	**181,424**	206,385
Investment (Note 7)	**13,001**	21,342
Input tax credits recoverable	**81,017**	51,640
Due from related parties (Note 14)	**804**	139
Prepaid expenses and deposits	**13,714**	138,765
	630,024	1,211,320
Right-of-use asset (Note 8)	**189,478**	209,778
Intellectual property (Notes 4 and 9)	**8,332,888**	11,744,370
	$ 9,152,390	$ 13,165,468
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 360,570**	$ 316,442
Share subscriptions refundable (Note 11)	**26,000**	26,000
Loans payable (Note 15)	**1,032**	1,032
Lease liability (Note 16)	**44,782**	45,666
Due to related parties (Note 14)	**15,603**	9,303
	447,987	398,443
Lease liability (Note 16)	**142,695**	162,192
	590,682	560,635
Shareholders' Equity		
Share capital (Note 11)	**22,464,457**	22,358,207
Contributed surplus	**1,360,707**	846,587
Foreign currency translation reserve	**(286,547)**	71,669
Deficit	**(14,976,909)**	(10,671,630)
	8,561,708	12,604,833
	$ 9,152,390	$ 13,165,468

Nature of operations and going concern (Note 1)
Commitments (Note 16)

On behalf of the board:

"Mark Tommasi" ____________________, Director

"Kostiantyn Makeiev" ____________________, Director

XRApplied Technologies Inc. (Formerly 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 January 31,		For the Six Months Ended January 31,	
	2022	2021	**2022**	2021
Administrative expenses				
Accounting and audit	**$ 42,661**	$ 32,380	**$ 43,171**	$ 32,380
Accretion	**628**	1,136	**853**	2,581
Amortization	**1,527,688**	11,041	**3,075,322**	21,539
Bank charges and interest	**147**	614	**263**	686
Consulting	**127,926**	25,353	**330,598**	45,353
Legal	**257**	3,945	**5,879**	4,389
Listing and filing fees	**24,323**	9,824	**44,133**	11,290
Management fees (Note 14)	**29,500**	29,500	**57,000**	57,000
Office and sundry	**93,342**	18,029	**141,981**	42,729
Promotion and travel	**44,034**	594	**95,618**	1,418
Stock-based compensation (Notes 11 and 14)	**-**	-	**514,120**	-
	(1,890,506)	(132,416)	**(4,308,938)**	(219,365)
Other income	**3,000**	9,307	**12,000**	18,769
Unrealized gain (loss) on investment (Note 7)	**(5,330)**	659	**(8,341)**	(100)
Net loss for the period	**(1,892,836)**	(122,450)	**(4,305,279)**	(200,696)
Foreign currency translation adjustment	**(41,077)**	-	**(358,216)**	-
Comprehensive loss for the period	**$ (1,933,913)**	$ (122,450)	**$ (4,663,495)**	$ (200,696)
Basic and diluted loss per share	**(0.03)**	(0.01)	**$ (0.06)**	$ (0.01)
Basic and diluted weighted average shares outstanding	**68,544,584**	23,433,210	**68,442,682**	23,431,172

XRApplied Technologies Inc. (Formerly 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 received	Contributed surplus	Foreign currency translation reserve	Deficit	Total
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	-	-	-	-	-	(78,246)	(78,246)
January 31, 2021	23,554,134	9,299,622	722,400	672,064	-	(9,365,092)	1,328,994
Issued for cash	3,490,450	1,047,135	(722,400)	174,523	-	-	499,258
Issued for XRApplied S.A.S. acquisition	40,000,000	12,000,000	-	-	-	-	12,000,000
Exercise of warrants	250,000	21,250	-	-	-	-	21,250
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	-	-	-	-	-	(1,278,538)	(1,278,538)
July 31, 2021	**67,294,584**	**$ 22,358,207**	**$ -**	**$ 846,587**	**$ 71,669**	**$ (10,671,630)**	**$ 12,604,833**
Exercise of warrants	1,250,000	106,250	-	-	-	-	106,250
Stock-based compensation	-	-	-	514,120	-	-	514,120
Foreign currency translation adjustment	-	-	-	-	(358,216)		(358,216)
Net loss	-	-	-	-	-	(4,305,279)	(4,305,279)
January 31, 2022	**68,544,584**	**$ 22,464,457**	**$ -**	**$ 1,360,707**	**$ (286,547)**	**$ (14,976,909)**	**$ 8,561,708**

XRApplied Technologies Inc. (Formerly Zadar Ventures Ltd.)

(an Exploration Stage Enterprise)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

For the Six Months Ended January 31,		**2022**		2021
Cash flows used in operating activities				
Net loss	**$**	**(4,305,279)**	$	(200,696)
Adjustments for:				
Accretion and amortization		**3,076,175**		24,120
Stock-based compensation		**514,120**		-
Unrealized loss on investment		**8,341**		100
Changes in non-cash working capital				
Input tax credits recoverable		**(29,377)**		(1,336)
Amounts receivable		**(10,039)**		4,199
Prepaid expenses and deposits		**125,051**		(28,339)
Accounts payable and accrued liabilities		**44,128**		25,623
		(576,880)		(176,329)
Cash flows from financing activities				
Proceeds from issuance of common stock, net of issue costs		**35,000**		10,625
Exercise of warrants		**106,250**		-
Subscriptions received in advance		**-**		722,400
Lease liability		**(21,234)**		(23,711)
Advances from related parties		**5,635**		25,216
		125,651		734,530
Increase (Decrease) in cash		**(451,229)**		558,201
Effect of exchange rate changes on cash		**(1,756)**		-
Cash at beginning of the period		**793,049**		196,240
Cash at end of the period	**$**	**340,064**	$	754,441
Supplemental disclosure with respect to cash flows				
Interest paid	**$**	**-**	$	-
Income taxes paid	**$**	**-**	$	-

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 condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred $14,976,909 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 ended July 31, 2021, 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

The 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.

2. Basis of Preparation (continued)

(a) Statement of compliance (continued)

These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended July 31, 2021, 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. These condensed consolidated interim financial statements were approved by the Board of Directors on March 31, 2022.

(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 the functional currency of the Company, unless otherwise specified.

(c) Principals of consolidation

These condensed consolidated interim 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.

3. Significant Accounting Policies (continued)

(a) Significant Accounting Estimates and Judgments (continued)

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.

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.

3. Significant Accounting Policies (continued)

(a) Significant Accounting Estimates and Judgments (continued)

iv) Impairment of exploration and evaluation assets (continued)

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.

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.

<u>Estimates</u>

i) Fair value of financial instruments

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

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

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.

(Expressed in Canadian Dollars - Unaudited)

3. Significant Accounting Policies (continued)

(b) 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, 2021. These updates are not currently relevant to the Company or are not expected to have a material impact on the condensed consolidated interim financial statements and are therefore not discussed herein.

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	(411,065)
Net assets assumed	(16,619)
Excess over fair value of net assets acquired	12,016,619

(Expressed in Canadian Dollars - Unaudited)

4. Asset Acquisition (continued)

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).

5. Disposition of Assets Upon Spinout

Further to the acquisition of XRA, the Company completed a former 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 January 31, 2022 comprise of $70,000 (July 31, 2021 - $105,000) subscriptions receivable (Note 11) and $111,424 (July 31, 2021 - $101,385) due from former officers and/or former directors of the Company and companies controlled by them. The balances as at January 31, 2022 and July 31, 2021 are non-interest bearing, unsecured and due on demand.

7. Investment

		January 31, 2022		July 31, 2021
Cost	**$**	**1,248,000**	$	1,248,000
Fair value adjustment		**(1,234,999)**		(1,226,658)
Total	**$**	**13,001**	$	21,342

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, 2022, the fair value of the GRIT shares is $13,001 (July 31, 2021 - $21,342).

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.

(Expressed in Canadian Dollars - Unaudited)

7. Investment (continued)

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.

8. Right-of-use asset

		January 31, 2022		July 31, 2021
Balance, beginning of period	**$**	**209,778**	$	48,610
Additions (Note 16)		**-**		206,495
Amortization		**(20,300)**		(45,327)
Balance, end of period	**$**	**189,478**	$	209,778

9. Intellectual Property

	Software Platform $
Cost	
Balance, July 31, 2020	**-**
Additions from asset acquisition (Note 4)	12,295,469
Foreign currency adjustments	93,823
Balance, July 31, 2021	**12,389,292**
Additions	-
Foreign currency adjustments	(438,392)
Balance, January 31, 2022	**11,950,900**
Accumulated amortization	
Balance, July 31, 2020	**-**
Amortization	645,052
Foreign currency adjustments	(130)
Balance, July 31, 2021	**644,922**
Amortization	3,055,022
Foreign currency adjustments	(81,932)
Balance, January 31, 2022	**3,618,012**
Net book value	
Balance, July 31, 2021	**11,744,370**
Balance, January 31, 2022	**8,332,888**

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.

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.

10. Exploration and Evaluation Assets (continued)

Pasfield Lake Project (continued)

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.

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).

(Expressed in Canadian Dollars - Unaudited)

10. Exploration and Evaluation Assets (continued)

Exploration and Evaluation Expenditures

Details of exploration and evaluation expenditures for the six months ended January 31, 2022 and for the year ended July 31, 2021 as follows:

	Acquisition Costs January 31, 2022	Exploration Costs January 31, 2022	Total January 31, 2022	Total July 31, 2021
Whisky Gap				
Balance, beginning of period	$ -	$ -	$ -	$ 18,000
Disposition of assets upon spin-out (Note 5)	-	-	-	(18,000)
Balance, end of period	-	-	-	-
Pasfield Lake				
Balance, beginning of period	-	-	-	10,000
Disposition of assets upon spin-out (Note 5)	-	-	-	(10,000)
Balance, end of period	-	-	-	-
East Boundary				
Acquisition costs - shares	-	-	-	-
Property maintenance	-	-	-	-
Mineral property costs for the period	-	-	-	-
Balance, beginning of period	-	-	-	-
Write-down	-	-	-	-
Balance, end of period	-	-	-	-
Total	$ -	$ -	$ -	$ -

11. Share Capital

(a) Authorized share capital

Unlimited common shares without par value.

(b) Share issuances

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 $70,000 (July 31, 2021 - $105,000) was in share subscriptions receivable at January 31, 2022 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.

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.

(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 January 31, 2022, a total of 27,375,000 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.

(Expressed in Canadian Dollars - Unaudited)

11. Share Capital (continued)

(d) Share purchase options (continued)

	Number of options	Weighted average exercise price $
Options outstanding at July 31, 2021	-	-
Granted	4,000,000	0.33
Options outstanding at January 31, 2022	4,000,000	0.33

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The forfeiture rate assumption is based on historical results, which is estimated to be nil, and the annualized volatility is based on the Company's historical share prices.

On August 16, 2021, the Company granted incentive stock options to purchase a total of 2,000,000 common shares at an exercise price of $0.41 per share for a period of two years to directors, officers and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of $294,600 in connection to these options.

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of $0.40; exercise price of $0.41; expected life of 2 years; expected volatility of 69%; risk free interest rate of 0.43%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On October 26, 2021, the Company granted incentive stock options to purchase a total of 2,000,000 common shares at an exercise price of $0.25 per share for a period of two years to directors, officers and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of $219,520 in connection to these options.

The grant date fair value of the options granted above was based on the following assumptions: share price at grant date of $0.25; exercise price of $0.25; expected life of 2 years; expected volatility of 81%; risk free interest rate of 0.84%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

As at January 31, 2022, the following options remain outstanding and exercisable:

Number of options outstanding and exercisable	Exercise price	Expiry date	Remaining life (years)
2,000,000	$0.41	August 16, 2023	1.54
2,000,000	$0.25	October 26, 2023	1.73
4,000,000			

(Expressed in Canadian Dollars - Unaudited)

11. Share Capital (continued)

(e) Share purchase warrants

	Number of warrants	Weighted average exercise price $
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
Exercised	(1,250,000)	0.085
Warrants outstanding at January 31, 2022	14,615,450	0.288

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.

In relation to the 1,250,000 warrants exercised during the six months ended January 31, 2022, the weighted average trading price of the Company's shares was $0.40 on the date of exercise.

As at January 31, 2022, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
6,125,000	$0.085	May 23, 2022
2,000,000	$0.085	January 9, 2023
3,000,000	$0.300	June 30, 2022 (extended)**
3,490,450	$0.750*	May 13, 2023
14,615,450		

*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.

(f) Share subscriptions refundable

As at January 31, 2022, the Company had a share subscription refundable in the amount of $26,000 (July 31, 2021 - $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.

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 January 31, 2022, the Company had a cash balance of $340,064 (July 31, 2021 - $793,049) to settle current liabilities of $447,987 (July 31, 2021 - $398,443). 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.

12. Financial Instruments and Risk Management (continued)

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 January 31, 2022, the Company has an investment with a fair value of $13,001. Each 10% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately $1,300.

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 January 31, 2022, 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 $32,000 in profit or loss for the period.

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, 2022, the Company owns 676,129 GRIT common shares with each common share valued at £0.0112 or $0.0192. 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 $1,300.

13. Capital Management

The Company includes issued common shares, contributed surplus, and deficit in the definition of capital, which amounts to $8,561,708 as at January 31, 2022 (July 31, 2021 - $12,604,833).

(Expressed in Canadian Dollars - Unaudited)

13. Capital Management (continued)

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 six months ended January 31, 2022.

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.

Six Months Ended January 31,		**2022**		2021
Consulting fees	**$**	**-**	$	2,500
Management fees		**27,000**		27,000
Stock-based compensation		**154,236**		-
	$	**181,236**	$	29,500

Amounts due from related parties comprise $804 (July 31, 2021 - $139) 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 $15,603 (July 31, 2021 - $9,303) in advances from companies with officers in common. The advances are unsecured, non-interest bearing and without specific repayment terms.

(Expressed in Canadian Dollars - Unaudited)

15. Loans Payable

Loans payable as at January 31, 2022 and July 31, 2021 are due to former officers and/or former directors of the Company and companies controlled by them. The balances as at January 31, 2022 and July 31, 2021 are non-interest bearing, unsecured and due on demand.

16. Commitments

The Company has entered into an operating lease contract for office space. The future minimum payments under the lease as at January 31, 2022 are as follows:

2022	$ 27,932
2023	57,546
2024	59,566
2025	60,745
2026	60,913
2027	10,152
	$ 276,854

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, 2026 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.

During the six months ended January 31, 2022, the Company recorded an accretion expense of $853 (2021 - $2,581) related to the lease liability.

The following table presents the lease obligations of the Company:

	Amount $
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
Payments of lease obligations	(21,234)
Accretion expense on lease obligations	853
Balance, January 31, 2022	187,477
Non-current portion	(142,695)
Current portion	44,782

(Expressed in Canadian Dollars - Unaudited)

17. Segmented Information

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

	Canada	France	TOTAL
	$	$	$
For the Six Months Ended January 31, 2022			
Net loss	(1,530,828)	(3,132,667)	(4,663,495)
As at January 31, 2022			
Current assets	558,029	71,995	630,024
Non-current assets	189,477	8,332,889	8,522,366
Total liabilities	518,372	72,310	590,682

	Canada	France	TOTAL
	$	$	$
For the Six Months Ended January 31, 2021			
Net loss	(200,696)	-	(200,696)
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