Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Operations and Deficit

(Unaudited – Prepared by Management)

		Three Months Ended October 31		
		2011		2010
Administrative expenses				
Accounting and audit	**$**	**7,260**	$	-
Bank charges and interest		**46**		319
Legal		**10,000**		-
Listing and filing fees		**22,474**		-
Management fees		**7,500**		7,500
Office and sundry		**8,475**		4,408
		55,755		12,227
Net loss and comprehensive loss	**$**	**(55,755)**	$	(12,227)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.00)
Basic and diluted weighted average shares outstanding		**6,314,674**		3,336,957

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statement of Changes in Equity

(Unaudited – Prepared by Management)

	Shares of common stock	Share capital	Subscriptions received in advance	Subscriptions receivable	Contributed surplus	Deficit	Total
August 1, 2010	**1,100,000**	**$ 11,000**	**$ 35,000**	**$ (2,501)**	**$ -**	**$ (11,981)**	**$ 31,518**
Issued for cash	5,000,000	295,000	(35,000)	(19,999)	-	-	240,001
Issued for property	200,000	13,000	-	-	-	-	13,000
Net loss	-	-	-	-	-	(83,443)	(83,443)
July 31, 2011	**6,300,000**	**319,000**	**-**	**(22,500)**	**-**	**(95,424)**	**201,076**
Issued for exercise of warrants	350,000	35,000	-	-	-	-	35,000
Net loss	-	-	-	-	-	(55,755)	(55,755)
October 31, 2011	**6,650,000**	**$ 354,000**	**$ -**	**$ (22,500)**	**$ -**	**$ (151,179)**	**$ 180,321**

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

	Three Months Ended October 31	
	2011	2010
Cash flows from operating activities		
Net loss	**$ (55,755)**	$ (12,227)
Changes in non-cash working capital		
Goods and services tax recoverable	**(7,045)**	(3,392)
Prepaid expenses	**-**	1,405
Accounts payable and accrued liabilities	**16,788**	(7,419)
	(46,012)	(21,633)
Cash flows from investing activities		
Mineral property costs	**-**	(73,683)
Cash flows from financing activities		
Proceeds from issuance of common stock	**35,000**	121,225
Proceeds from issuance of warrants	**-**	77,775
Repayment of advances from related parties	**-**	(47,500)
	35,000	151,500
(Decrease) Increase in cash	**(11,012)**	56,184
Cash at beginning of the period	**62,359**	11,418
Cash at end of the period	**$ 51,347**	$ 67,602
Supplemental disclosure with respect to cash flows		
Interest paid	**$ -**	$ -
Income taxes paid	**$ -**	$ -

1. Nature of operations

Zadar Ventures Ltd. (“Zadar” or the “Company”) was incorporated on August 6, 2008 under the Business Corporations Act of British Columbia and its principal activity is the exploration of mineral properties.

2. Basis of Preparation and First Time Adoption of IFRS

We prepare our financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, we have commenced reporting on this basis in the interim financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

The interim condensed financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”) and IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”). We have consistently applied the same accounting policies in our opening IFRS balance sheet as at August 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 8 discloses the impact of the transition to IFRS on our reported statement of financial position, comprehensive loss and cash flows, including the nature and effect of significant changes in accounting policies from those used in our financial statements for the year ended July 31, 2011.

The policies applied in the interim financial statements are presented in Note 3 and are based on IFRS issued and outstanding as of February 9, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual financial statements for the year ending July 31, 2012 could result in restatement of the interim financial statements, including the transition adjustments recognized on change-over to IFRS.

Going concern of operations

These interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as going-concern depends on its ability to raise adequate financing and to develop profitable operations.

Management is actively targeting sources of additional financing. As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

3. Significant Accounting Policies

(a) Significant Accounting Estimates and Judgments

The preparation of the interim consolidated financial statements, in conformity with IAS 34 and IFRS 1, requires estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where judgment is applied include the carrying value and recoverability of mineral property costs, inputs used in accounting for share-based compensation and provisions for site restoration. Actual results could differ from our estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of 90 days or less.

(c) Exploration costs

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 of mineral properties 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 expenditure costs, in excess of estimated recoveries, are written off to income 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 also tested for impairment before the assets are transferred to development properties.

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.

3. Significant Accounting Policies *(continued)*

(d) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. The Company has classified cash in this category.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not hold any available-for-sale assets.

(iii) Held-to-Maturity investments: Held-to-maturity investments are non-derivatives that are designated in this category where the Company's intent is to hold the investment to maturity.

Held-to-maturity investments are initially measured at fair value including transaction costs, and subsequently carried at amortized cost. The Company does not hold any held-to-maturity assets.

(iv) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise amounts due from related parties, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(v) Financial liabilities at amortized cost: Financial instruments held by the Company and classified in this category include trade payables, accrued liabilities and due to related parties. Other financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method.

(vi) Derivative financial instruments: Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and accordingly are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other gains (losses) in earnings. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the balance sheet date. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. The Company does not hold any derivative instruments.

3. Significant Accounting Policies *(continued)*

(e) Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and the premium is recognized as other income.

(f) Share-based Compensation

The Company accounts for stock options granted to directors, officers, employees and nonemployees at fair value. Accordingly, the fair value of the options 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, with an offsetting credit to share-based payment reserve, over the vesting periods. The fair value of stock options granted to non-employees 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 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) Loss per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

3. Significant Accounting Policies *(continued)*

(h) Income Taxes

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

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

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 balance sheet 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.

4. Mineral property

The Company entered into an option agreement with 1177129 Alberta Ltd., (the “Optionor”), a company controlled by a company having an officer in common with Zadar, in April 2010, subsequently amended May 30, 2011, to acquire up to a 75% interest in certain mineral interests located in Alberta, known as the Whiskey Gap Project.

To earn a 60% interest, the Company at its option, must make total cash payments of $100,000 ($28,000 paid), issue 1,100,000 shares of the Company (300,000 shares issued), and incur exploration expenditures of $450,000 by various dates over a period ending on September 30, 2012.

To earn an additional 15% interest, the Company at its option must issue an additional 1,000,000 shares and incur an additional $500,000 in exploration expenditures on or before September 30, 2013.

Upon earning either a 60% or 75% interest, the Company and the Optionor will form a joint venture with standard dilution clauses.

Details of mineral property costs for the period ended October 31, 2011 are as follows:

4. Mineral property (continued)

	Acquisition Costs	Exploration Costs	Total
Whisky Gap Project			
Acquisition costs - cash	$ -	$ -	$ -
Acquisition costs - shares	-	-	-
Assaying	-	-	-
Drilling	-	-	-
Geophysics	-	-	-
Reports	-	-	-
Surface access	-	-	-
Geological consulting	-	-	-
Travel and living costs	-	-	-
Mineral property costs for the period	-	-	-
Balance, beginning of period	42,000	120,056	162,056
Balance, end of period	$ 42,000	$ 120,056	$ 162,056

5. Capital

(a) Authorized share capital

100,000,000 common shares without par value

(b) 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 as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the Company's shares on the trading day immediately preceeding the day on which the Company announces the grant of options. The Plan provides for the issuance of up to 10% of the Company's issued common shares at the date of the grant.

	Number of options	Weighted average exercise price $
Options outstanding at July 31, 2011	450,000	-
Granted	150,000	0.25
Options outstanding at October 31, 2011	600,000	0.25

5. Capital *(continued)*

(b) Share purchase options *(continued)*

On October 14, 2010, the Company granted to employees, consultants, directors and officers of the Company options to purchase up to 450,000 common shares of the Company at an exercise price of $0.25 per share. On September 1, 2011 the Company granted an additional 150,000 options with the same terms. The options are exercisable for a period of five years commencing on the date that the Company's stock is listed on the TSX Venture Exchange.

The fair value of the stock options was estimated to be $10,795 using the Black-Scholes option pricing model, with the following assumptions:

Expected dividend yield	0.00%
Exected stock price volatility	100.00%
Risk-free interest rate	1.41%
Expected life of options	5 years

Option pricing models require the input of highly subjective assumptions, particularly the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(c) Share purchase warrants

As of October 31, 2011, the Company has 2,650,000 share purchase warrants outstanding, which are exercisable at a price of $0.10 per share and which expire on October 10, 2013.

6. Financial instruments and risk management

Fair Values

The fair values of the Company's cash, due from related party, accounts payable and accrued liabilities are estimated to approximate their carrying values due to the immediate or short-term maturity of theses financial instruments.

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's only significant financial asset is cash which is on deposit at a high credit-worthy financial institution.

Market risk

Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently hold any financial instruments that mitigate this risk.

6. **Financial instruments and risk management** *(continued)*

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company expects to satisfy obligations under accounts payable and accrued liabilities. Management intends to continue to finance its activities by raising funds by private equity investments. Even if it has succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and believes that liquidity risk is high.

7. Related party transactions

During the three months ended October 31, 2011, management and administration fees of $7,500 (2010 - $7,500) and office administration fees of $8,475 (2010 - $4,200) were paid or accrued to companies controlled by directors or officers of the Company for services provided. These amounts have been recorded at the exchange amount being the compensation agreed to by the parties.

Accounts payable and accrued liabilities as of October 31, 2011 include $43,681 (July 31, 2011 – $35,641) owing to companies controlled by officers of the Company for services rendered.

As of October 31, 2011, the Company has advanced $2,400 to a company controlled by an officer of the Company. The advance is unsecured, non-interest bearing and is due on demand.

8. First Time Adoption of IFRS

Under IFRS 1 – First Time Adoption of International Financial Reporting Standards, the Company is required to reconcile equity, comprehensive income (loss) and cash flows for prior periods.

The change to comprehensive loss outlined below has resulted in the reclassifications of certain amounts in the statements of changes in equity and cash flows. However, as there has been no impact on total equity or on net cash flows, no reconciliation of the statements of changes in equity and of cash flows have been provided.

Reconciliation of Comprehensive Loss

		Year ended July 31 2011
Comprehensive loss under GAAP	$	58,443
Future income tax recovery - flow through shares		25,000
Comprehensive loss under IFRS	$	83,443

8. First Time Adoption of IFRS *(continued)*

Under Canadian GAAP, the proceeds from the issuance of flow-through shares were recognized in share capital less the tax effects of the renunciation. Under IFRS, upon issuance of flow-through shares, the Company records the value of the flow-through shares issued, less an estimated premium that the investor paid for the flow-through feature to be recognized as a liability. Any estimated premium would be recorded as other income and the related deferred tax recognized as a tax provision.

The Company determined that no premium existed for the flow-through feature upon issuance of the flow-through shares on August 16, 2010; therefore a future income tax recovery of $25,000 for the year ended July 31, 2011 has been reversed in its entirety. This results in an increase to comprehensive loss and deficit of $25,000 and a corresponding increase to share capital.

9. Subsequent Events

a) The Company is in the process of filing a prospectus with the British Columbia, Alberta and Ontario Securities Commissions offering 2,200,000 common shares of the Company at $0.25 per share as an initial public offering (the "Offering"). Pursuant to a letter of engagement agreement with Wolverton Securities Ltd. (the "Agent"), the Agent will receive a marketing commission of 7% of the gross proceeds of the Offering payable in cash or common shares or any combination thereof, be paid a corporate finance fee of $25,000 plus applicable taxes, of which $10,000 has been advanced as a non-refundable due diligence fee, with the remaining $15,000 to be paid in cash, common shares or any combination thereof, and be granted an option to acquire common shares in an amount equal to 8% of the number of shares sold under the Offering, at an exercise price of $0.25 per common share for a period of 36 months from the date of listing of the common shares on the TSX Venture Exchange. The Agent will also be reimbursed for its expenses resulting from the Offering. The Company has granted the Agent an additional option to solicit and accept subscriptions of up to 15% of the offered securities, being 330,000 common shares, commissions would be the same.

b) Subsequent to October 31, 2011 the Company has issued 155,000 common shares pursuant to exercise of warrants for aggregate proceeds of $15,500.

Zadar Ventures Ltd.
(an Exploration Stage Enterprise)
Financial Statements

July 31, 2011, 2010 and 2009

Zadar Ventures Ltd.
(an Exploration Stage Enterprise)
Financial Statements

July 31, 2011, 2010 and 2009

Auditors' Report	3
Balance Sheets	4
Statements of Operations and Deficit	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 –16

Independent Auditor's Report

To the Shareholders of
Zadar Ventures Ltd.

We have audited the accompanying financial statements of Zadar Ventures Ltd., which comprise the balance sheets as at July 31, 2011, 2010, and 2009 and the statements of operations and deficit, and cash flows for the periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Zadar Ventures Ltd. as at July 31, 2011, 2010, and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Zadar Ventures Ltd. to continue as a going concern.

Chartered Accountants
Vancouver, British Columbia
February 27, 2012

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Balance Sheets

As at July 31		2011		2010		2009
Assets						
Current						
Cash	$	**62,359**	$	11,418	$	29
Goods and services tax recoverable		**11,910**		3,743		-
Prepaid expenses		**1,200**		-		-
Due from related party (Note 7)		**2,400**		-		-
		77,869		15,161		29
Deferred financing costs (Note 8)		**22,000**		22,000		-
Mineral property costs (Note 3)		**162,056**		78,821		-
	$	**261,925**	$	115,982	$	29
Liabilities						
Current						
Accounts payable and accrued liabilities (Note 7)	$	**60,849**	$	24,364	$	-
Due to related parties (Note 7)		**-**		60,100		100
		60,849		84,464		100
Shareholders' Equity						
Share capital (Note 4)		**294,000**		11,000		1
Subscriptions received in advance		**-**		35,000		-
Subscriptions receivable		**(22,500)**		(2,501)		(1)
Deficit		**(70,424)**		(11,981)		(71)
		201,076		31,518		(71)
	$	**261,925**	$	115,982	$	29

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Operations and Deficit

	Year Ended July 31 2011	Year Ended July 31 2010	Period from incorporation on August 6, 2008 to July 31 2009
Administrative expenses			
Accounting	**$ 21,300**	$ -	$ -
Bank charges and interest	**468**	110	71
Legal	**982**	-	-
Management fees (note 7)	**30,000**	5,000	-
Office and administration (note 7)	**26,693**	2,800	-
Reports	**4,000**	4,000	-
	83,443	11,910	71
Loss before income taxes	**(83,443)**	(11,910)	(71)
Future income tax (recovery)	**(25,000)**	-	-
Net and comprehensive loss	**$ (58,443)**	$ (11,910)	$ (71)
Basic and diluted loss per share	**$ (0.01)**	$ (0.09)	$ (71.00)
Basic and diluted weighted average shares outstanding	**5,479,726**	132,055	1
Deficit, beginning of period	**$ (11,981)**	$ (71)	$ -
Net loss	**(58,443)**	(11,910)	(71)
Deficit, end of period	**$ (70,424)**	$ (11,981)	$ (71)

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Statements of Cash Flows

	Year Ended July 31 2011	Year Ended July 31 2010	Period from incorporation on August 6, 2008 to July 31 2009
Cash flows from operating activities			
Net loss	**$ (58,443)**	$ (11,910)	$ (71)
Items not affecting cash			
Future income tax recovery	**(25,000)**	-	-
Changes in non-cash working capital			
Goods and services tax recoverable	**(8,167)**	(3,743)	-
Prepaid expenses	**(1,200)**	-	-
Accounts payable and accrued liabilities	**42,882**	9,059	-
	(49,928)	(6,594)	(71)
Cash flows from investing activities			
Mineral property costs	**(76,632)**	(62,516)	-
Cash flows from financing activities			
Proceeds from issuance of common stock	**240,001**	42,499	-
Deferred financing costs	**-**	(22,000)	-
Advances (to) from related parties	**(62,500)**	60,000	100
	177,501	80,499	100
Increase in cash	**50,941**	11,389	29
Cash at beginning of the period	**11,418**	29	-
Cash at end of the period	**$ 62,359**	$ 11,418	$ 29
Supplemental disclosure with respect to cash flows			
Interest paid	**$ -**	$ -	$ -
Income taxes paid	**$ -**	$ -	$ -
Non-cash investing and financing activities			
Shares issued for mineral property costs	**$ 13,000**	$ 1,000	$ -

1. Nature of operations

Zadar Ventures Ltd. (“Zadar” or the “Company”) is incorporated under the Company Act of British Columbia and its principal activity is the exploration of mineral properties.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

2. Significant accounting policies

(a) Mineral properties and exploration expenditures

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

All deferred expenditures are reviewed by management, on a property by property basis, to consider whether there are any conditions that may indicate an impairment in value. When the carrying value exceeds the net recoverable amount as estimated by management, or the Company’s ability to sell the property for an amount exceeding the deferred cost, a provision is made for the impairment in value. Recorded costs of mineral properties and deferred exploration expenditures are not intended to reflect present or future values of mineral properties.

2. Significant accounting policies *(continued)*

(b) Asset retirement obligations

The Company has adopted the standard for 'asset retirement obligations' as set out in the CICA Handbook section 3110. The standard requires the recognition and measurement of liabilities related to the legal obligation to abandon and reclaim property, plant and equipment upon acquisition, construction, development and/or normal use of the asset. The initial liability must be measured at fair value and subsequently adjusted for the accretion of discount and changes in the fair value. The asset retirement cost is capitalized as part of related long-lived asset and depleted into earnings over time.

(c) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding. The Company uses the treasury stock method of calculating fully diluted loss per share amounts, whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact for the reported periods thus fully diluted loss per share is the same as basic loss per share.

(d) Financial instruments

Under Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement and Sections 3862 and 3863, Financial Instruments - Disclosure and Presentation, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is impaired or removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financial instruments will be expensed in the period incurred.

The Company has designated its cash as held-for-trading, which is measured at fair value. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

2. Significant accounting policies *(continued)*

(e) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. By their nature, the investment in mineral properties and deferred costs, asset retirement obligations and future income tax valuation allowances are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(f) Income taxes

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

(g) Stock based compensation

The Company accounts for stock options granted to directors, officers, employees and nonemployees using the fair value method of accounting. Accordingly, the fair value of the options 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, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is remeasured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon remeasurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

(h) Flow through shares

All flow-through shares issued by the Company are accounted for in accordance with Emerging Issues Committee (“EIC”) Abstract 146. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and record a temporary future income tax liability for the amount of the tax deduction renounced to shareholders. In instances where the Company has sufficient deductible temporary differences available to offset the renounced tax deductions, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

2. Significant accounting policies *(continued)*

(i) Impairment of long-lived assets

The Company accounts for the impairment of mineral property assets in accordance with EIC Abstract 174 "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mineral properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long lived assets.

(j) Valuation of warrants

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants.

(k) International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2012, the financial reporting impact of the transition to IFRS has not been estimated at this time.

3. Mineral property

The Company entered into an option agreement with 1177129 Alberta Ltd., (the “Optionor”), a company controlled by a company having an officer in common with Zadar, in April 2010, subsequently amended May 30, 2011, to acquire up to a 75% interest in certain mineral interests located in Alberta, known as the Whiskey Gap Project.

To earn a 60% interest, the Company at its option, must make total cash payments of $100,000 ($28,000 paid), issue 1,100,000 shares of the Company (300,000 shares issued), and incur exploration expenditures of $450,000 by various dates over a period ending on September 30, 2012.

To earn an additional 15% interest, the Company at its option must issue an additional 1,000,000 shares and incur an additional $500,000 in exploration expenditures on or before September 30, 2013.

Upon earning either a 60% or 75% interest, the Company and the Optionor will form a joint venture with standard dilution clauses.

Details of mineral property costs for the year ended July 31, 2011 are as follows:

	Acquisition Costs 2011	Exploration Costs 2011	Total 2011	Total 2010
Whisky Gap Project				
Acquisition costs - cash	$ 22,000	$ -	$ 22,000	$ 6,000
Acquisition costs - shares	13,000	-	13,000	1,000
Assaying	-	5,000	5,000	-
Drilling	-	1,217	1,217	49,085
Geophysics	-	-	-	4,800
Reports	-	12,100	12,100	-
Surface access	-	22,000	22,000	10,840
Geological consulting	-	3,600	3,600	6,450
Travel and living costs	-	4,318	4,318	646
Mineral property costs for the year	35,000	48,235	83,235	78,821
Balance, beginning of year	7,000	71,821	78,821	-
Balance, end of year	$ 42,000	$ 120,056	$ 162,056	$ 78,821

4. Share capital

a) Details of shares issued are as follows:

	Shares		Amount
Authorized:			
100,000,000 common shares without par value			
Issued and outstanding:			
Balance, July 31, 2009	1	$	1
Founder share cancelled	(1)		(1)
Issued for cash	1,000,000		10,000
Issued for property	100,000		1,000
Balance, July 31, 2010	1,100,000		11,000
Issued for cash	5,000,000		295,000
Issued for property	200,000		13,000
Tax benefit renounced on flow through shares	-		(25,000)
Balance, July 31, 2011	6,300,000	$	294,000

On May 10, 2010, the Company issued 100,000 shares of common stock valued at $1,000 pursuant to an option agreement (Note 3).

On June 21, 2010, the Company completed a private placement of 1,000,000 shares of common stock for gross proceeds of $10,000, to companies controlled by directors and officers of the Company.

On August 16, 2010, the Company completed a private placement of 2,000,000 flow-through common shares for aggregate proceeds of $100,000.

On October 10, 2010, the Company completed a private placement of 3,000,000 units for aggregate proceeds of $195,000, with each unit comprising one common share and one share purchase warrant, entitling the holder thereof to acquire one common share of the Company at a price of $0.10 until October 10, 2013.

On April 29, 2011, the Company issued 200,00 shares of common stock valued at $13,000 pursuant to an option agreement (Note 3).

4. Share capital *(continued)*

b) 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 as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the Company's shares on the trading day immediately preceeding the day on which the Company announces the grant of options. The Plan provides for the issuance of up to 10% of the Company's issued common shares at the date of the grant.

	Number of options	Weighted average exercise price $
Options outstanding at July 31, 2010	-	-
Granted	450,000	0.25
Options outstanding at July 31, 2011	450,000	0.25
Options exercisable at July 31, 2011	-	-

On October 14, 2010, the Company granted to employees, consultants, directors and officers of the Company options to purchase up to 600,000 common shares of the Company at an exercise price of $0.25 per share. The options are exercisable for a period of five years commencing on the date that the Company's stock is listed on the TSX Venture Exchange.

The fair value of the stock options is estimated to be $15,750 using the Black-Scholes option pricing model, with the following assumptions:

Expected dividend yield	0.00%
Exected stock price volatility	100.00%
Risk-free interest rate	1.41%
Expected life of options	5 years

Option pricing models require the input of highly subjective assumptions, particularly the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

c) Warrants

At July 31, 2011 the Company had 3,000,000 warrants outstanding exercisable at $0.10 until October 10, 2013.

5. Financial instruments and risk management

Capital management

The Company manages its capital to ensure it will be able to continue as a going concern largely through equity financing. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record, and the experience of management. The capital structure of the Company consists of shareholder's equity and deficit. The Company is not exposed to externally imposed capital requirements.

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. The Company's only significant financial asset is cash which is on deposit at a high credit-worthy financial institution.

Market risk

Market risk includes currency risk, interest rate risk and price risk. The Company's activities expose it primarily to the financial risks of changes in the price of resources. The Company does not currently hold any financial instruments that mitigate this risk.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company expects to satisfy obligations under accounts payable and accrued liabilities. Management intends to continue to finance its activities by raising funds by private equity investments. Even if it has succeeded in financing its activities in the past, management cannot comment on the success of its future fund raising and believes that liquidity risk is high.

6. Income taxes

July 31,		2011		2010		2009
Basic statutory income tax rate		27.33%		29.13%		30.21%
Income (loss) before income taxes	$	(83,443)	$	(11,910)	$	(71)
Expected income tax (recovery) expense	$	(22,805)	$	(3,469)	$	(21)
Effect of changes in tax rates		1,944		492		3
Change in valuation allowance		4,139		2,977		18
Net income tax (recovery) expense	$	(25,000)	$	-	$	-

July 31,		2011		2010		2009
Future income tax assets (liabilities)						
Non capital losses carried forward	$	23,856	$	2,995	$	18
Mineral property costs		(25,000)		-		-
Less valuation allowance		1,144		(2,995)		(18)
Future income tax asset (liability	$	-	$	-	$	-

As of July 31, 2011, the Company has accumulated non-capital losses for Canadian income tax purposes of approximately $95,000 that may be carried forward to reduce taxable income in future years. If not used, these losses will expire commencing in 2030.

As of July 31, 2011, the Company has incurred $62,000 of resource related expenditures that may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

7. Related party transactions

Management fees of $30,000 (2010 - $5,000) and office and administration fees of $26,135 (2010 - $2,800) were paid or accrued to companies controlled by directors or officers of the Company for services provided during the year ended July 31, 2011. These amounts have been recorded at the exchange amount being the compensation agreed to by the parties.

Accounts payable and accrued liabilities as of July 31, 2011 include $35,641 (2010 - $8,293) owing to companies controlled by directors or officers of the Company for services rendered.

As of July 31, 2011, the Company has advanced $2,400 to a company controlled by an officer of the Company. The advance is unsecured, non-interest bearing and is due on demand.

Amounts due to related parties as of July 31, 2010 and 2009 comprise advances from directors and officers which were repaid by the Company during the year ended July 31, 2011.

8. Subsequent events

a) The Company is in the process of filing a prospectus with the British Columbia, Alberta and Ontario Securities Commissions offering 2,200,000 common shares of the Company at $0.25 per share as an initial public offering (the "Offering"). Pursuant to a letter of engagement agreement with Wolverton Securities Ltd. (the "Agent"), the Agent will receive a marketing commission of 7% of the gross proceeds of the Offering payable in cash or common shares or any combination thereof, be paid a corporate finance fee of $25,000 plus applicable taxes, of which $10,000 has been advanced as a non-refundable due diligence fee, with the remaining $15,000 to be paid in cash, common shares or any combination thereof, and be granted an option to acquire common shares in an amount equal to 8% of the number of shares sold under the Offering, at an exercise price of $0.25 per common share for a period of 36 months from the date of listing of the common shares on the TSX Venture Exchange. The Agent will also be reimbursed for its expenses resulting from the Offering. The Company has granted the Agent an additional option to solicit and accept subscriptions of up to 15% of the offered securities, being 330,000 common shares, commissions would be the same.

b) On September 1, 2011, the Company granted to employees, consultants, directors and officers of the Company options to purchase up to 150,000 common shares of the Company at an exercise price of $0.25 per share. The options are exercisable for a period of five years commencing on the date that the Company's stock is listed on the TSX Venture Exchange.

c) Subsequent to year end the Company has issued 505,000 common shares pursuant to exercise of warrants for aggregate proceeds of $50,500.

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Financial Statements

Three Months Ended October 31, 2011

Zadar Ventures Ltd.
(an Exploration Stage Enterprise)
Interim Financial Statements

Three Months Ended October 31, 2011

Interim Statements of Financial Position	3
Interim Statements of Operations and Deficit	4
Interim Statement of Changes in Equity	5
Interim Statements of Cash Flows	6
Notes to the Interim Financial Statements	7–15

Zadar Ventures Ltd.

(an Exploration Stage Enterprise)

Interim Statements of Financial Position

(Unaudited – Prepared by Management)

	Note	**October 31 2011**	July 31 2011	August 1 2010
Assets				
Current				
Cash		**$ 51,347**	$ 62,359	$ 11,418
Goods and services tax recoverable		**18,955**	11,910	3,743
Prepaid expenses		**1,200**	1,200	-
Due from related party	7	**2,400**	2,400	-
		73,902	77,869	15,161
Deferred financing costs	9	**22,000**	22,000	22,000
Mineral property costs	4	**162,056**	162,056	78,821
		$ 257,958	$ 261,925	$ 115,982
Liabilities				
Current				
Accounts payable and accrued liabilities	7	**$ 77,637**	$ 60,849	$ 24,364
Due to related parties	7	**-**	-	60,100
		77,637	60,849	84,464
Shareholders' Equity				
Share capital	5	**354,000**	319,000	11,000
Subscriptions received in advance		**-**	-	35,000
Subscriptions receivable		**(22,500)**	(22,500)	(2,501)
Deficit		**(151,179)**	(95,424)	(11,981)
		180,321	201,076	31,518
		$ 257,958	$ 261,925	$ 115,982

Subsequent events (note 9)

On behalf of the board:

___________________________, Director

___________________________, Director