Zara Resources Inc.

Interim Financial Statements

For the period from
October 9, 2012
(date of incorporation)

to January 31, 2013

(Expressed in Canadian Dollars)

(Unaudited)

Management's responsibility for financial reporting

The accompanying consolidated financial statements of Zara Resources Inc. (the "Company" or "Zara") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 4 of the financial statements.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of January 31, 2013 and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Management's assessment of internal control over financial reporting ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the consolidated financial statements.

"Daniel Wettreich"
Chairman and Chief Executive Officer

NOTICE OF NO AUDITOR REVIEW OF REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102,Part 4,subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed 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 interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Zara Resources Inc.

Interim Statement of Financial Position

(Expressed in Canadian Dollars)
(Unaudited)
As at

		January 31, 2013
Assets		
Current Asset		
Cash	$	99,011
HST Receivable		983
		99,994
Exploration and Evaluation Assets *(Note 7)*		1,058,540
	$	1,158,534
Liabilities		
Current Liabilities		
Trade payables *(Note10)*	$	13,382
Loan from parent company *(Note 10)*		4,674
		18,056
Shareholders' Equity		
Common Share Capital *(Note 8)*		422,501
Common Shares to be Issued *(Note 7)*		225,000
Convertible Preferred Shares *(Note 8)*		45,500
Convertible Preferred Shares to be Issued *(Note 7)*		475,000
Reserve for Share-based Payments *(Note 8)*		138,300
Deficit		(165,823)
		1,140,478
	$	1,158,534

Going concern *(Note 2)*

Approved by the Board:

/s/ Daniel Wettreich
________________________ Director

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

Zara Resources Inc.

Interim Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)
(Unaudited)

	Period from October 9, 2012 (date of incorporation) to January 31, 2013	Three months ended January 31, 2013
Operating Expenses *(Note 9)*		
Filing fees	$ 2,770	$ 2,770
Management fees	10,500	10,500
Share-based compensation *(Note 8)*	138,300	138,300
Transfer agent fees	4,253	4,253
Write-off of exploration and evaluation assets *(Note 7)*	10,000	10,000
	165,823	165,823
Net loss and comprehensive loss for the period	(165,823)	(165,823)
Loss per share -Basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of common shares		
Basic and diluted	25,034,615	25,034,615

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

Zara Resources Inc.

Interim Statement of Changes in Equity

(Expressed in Canadian Dollars)
(Unaudited)

	Common Share Capital			Convertible Preferred Share Capital					
	Number of Shares	Amount	Common Shares Subscribed, Not Issued	Number of Shares	Amount	Convertible Preferred Shares Subscribed, Not Issued	Reserve for Share-Based Compensation	Deficit	Total Equity
Common shares issued for cash upon incorporation date of October 9, 2012	1	$ 1	$ -	-	$ -	$ -	$ -	$ -	$ 1
Issued for exploration and evaluation assets and cash acquired from parent company	25,000,000	400,000	-	-	-	-	-	-	400,000
Issued on acquisition of mineral claims	225,000	22,500	-	455,000	45,500	-	-	-	68,000
Acquisition of mineral claims, shares to be issued	-	-	225,000	-	-	475,000	-	-	700,000
Share-based compensation	-	-	-	-	-	-	138,300	-	138,300
Net loss for the period	-	-	-	-	-	-		(165,823)	(165,823)
Balance - January 31, 2013	25,225,001	$ 422,501	$ 225,000	455,000	$ 45,500	$ 475,000	$ 138,300	$ (165,823)	$ 1,140,478

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

Zara Resources Inc.

Interim Statement of Cash Flows

(Expressed in Canadian Dollars)
(Unaudited)

	Period from October 9, 2012 (date of incorporation) to January 31, 2013	Three months ended January 31, 2013
Operating Activities		
Net loss for the period	$ (165,823)	$ (165,823)
Non-cash items included in loss:		
Share-based compensation	138,300	138,300
Write-off of exploration and evaluation assets	10,000	10,000
	(17,523)	(17,523)
Changes in non-cash working capital:		
HST receivable	(983)	(983)
Trade payables	13,382	13,382
Cash Provided By Operating Activities	(5,124)	(5,124)
Financing Activities		
Issuance of common share	1	-
Cash received on asset transfer from parent company	100,000	-
Loan from parent company	4,674	4,674
Cash from Financing Activities	104,675	4,674
Investing Activities		
Additions to exploration and evaluation assets	(540)	(540)
Cash Used in Investing Activities	(540)	(540)
Increase (decrease) in cash during the period	99,011	(990)
Cash – beginning of period	-	100,001
Cash - end of period	$ 99,011	$ 99,011

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

Zara Resources Inc.

Notes to Unaudited Interim Financial Statements

For the period from October 9, 2012 *(date of incorporation)* to January 31, 2013

(Expressed in Canadian Dollars)

1. Governing Statutes and Nature of Operations

Zara Resources Inc. ("Zara" or "the Company") is a public company listed on the CNSX under trading symbol "ZRI". It was incorporated on October 9, 2012 in the province of Ontario. The Company is engaged in the business the acquisition, exploration and development of mining properties in Canada. Zara is 80.0% owned by Winston Resources Inc., a Canadian public company. The head office of the Company is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario M5J 2Y5.

2. Going Concern Assumption

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. The use of these principles assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. The Company is in the process of acquiring its first mineral exploration property therefore its exploration of this property and has not commenced. As such, it is unknown whether the property contains reserves that are economically recoverable. As a newly incorporated Company, that is commencing active operations; it incurs operating losses, which casts doubt about the Company's ability to continue as a going concern.

The business of mining and exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the property it is acquiring contains mineral reserves or resources that can be economically mined, it is classified as an exploration and evaluation asset. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, and making the required payments pursuant to mineral property share purchase agreements. The Company has not yet completed any acquisitions and it has yet to generate income and cash flows from its operations. There is also no assurance that the Company will be able to obtain the external financing necessary to explore, develop and bring to commercial production the property that it is acquiring.

3. Basis of Presentation and Statement of Compliance

Statement of Compliance

The financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS"), which includes the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these interim financial statements are based on IFRS issued and outstanding as of March 20, 2013, being the date the board of director approved these interim financial statements.

Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

3. Basis of Presentation and Statement of Compliance (Continued)

Functional and Presentation Currency
The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

4. Significant Accounting Policies

These financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant:

Significant Estimates and Judgments
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods as well as the related notes to financial statements. Actual results could differ from those estimates.

The most significant estimates relate to recoverability of amounts due form the parent company, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities and the determination of the economic viability of a project. In determining these estimates, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. These assumptions are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

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. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation that arose as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4. Significant Accounting Policies (Continued)

Current Income Taxes
Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at income tax rates, which have been enacted or substantively enacted at the reporting date.

Current income taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the applicable taxes are recognized in other comprehensive income or directly in equity.

Deferred Income Taxes
Deferred income taxes are provided using the liability method on temporary differences, at the date of the statement of financial position, between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused income tax credits and unused income tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the expected income tax rates that are expected to apply in the year in which the asset is to be realized or the liability is to be settled. The expected income tax rate utilized is based upon income tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

The deferred income taxes related to equity transactions are recognized directly equity and not in the statement of comprehensive income.

Deferred income tax assets and liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4. Significant Accounting Policies (Continued)

Impairment of non-financial assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive income in the period of impairment, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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 to the extent that the increased carrying amount 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.

Exploration and evaluations assets ("E&E")
E&E assets consist of exploration and mining concessions, options and contracts. Acquisition costs, lease 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.

E&E costs consist of:
- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

Loss per share
The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants that are used to purchase common shares at the average market price during the period.

4. Significant Accounting Policies (Continued)

Comprehensive income (loss)
Comprehensive income is the change in equity of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners.

Comprehensive income is comprised of net income for the period and other comprehensive income. The standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, nor has the Company accumulated other comprehensive income during periods that have been presented.

Equity Settled Share –Based Payment Transactions
The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the goods or services are received. The Company measures the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received then the Company measures their fair value, and the corresponding increase in equity by reference to the fair value of the equity instruments issued as payment.

Share Capital
Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary common shares are classified as equity instruments. Incremental Direct costs directly attributable to the issue of new shares are recognized in equity as a reduction from the gross proceeds received form the issued shares.

Financial Assets and Financial Liabilities

Recognition: The Company initially recognizes loans and advances, deposits and liabilities on the date at which they are originated. All other financial assets and liabilities, including assets and liabilities designated at fair value through profit or loss, are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Valuation of Financial Instruments: The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

4. **Significant Accounting Policies** (Continued)

Financial Assets and Financial Liabilities (continued)

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly; i.e. as prices; or indirectly; i.e., derived from prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

De-recognition: The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting: Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

Amortized cost measurement: The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Identification and measurement of impairment: At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Company of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

4. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (continued)

Objective evidence that financial assets, including equity securities, are impaired may include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Company that would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by comparing together loans and receivables with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Designation at fair value through profit or loss: The Company has designated financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

4. Significant Accounting Policies (Continued)

Future Accounting Policies

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2013. For the purpose of preparing and presenting the financial statements for the relevant periods, the Company has consistently adopted all new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB issued the following Standards that are effective for reporting periods ending after these financial statements and which the Company may be required to adopt in future reporting periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

IFRS 13 Fair Value Measurement was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. The main features of the new standard include the fact that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement).

When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis. A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently assessing what impact the application of these standards may have on the financial statements of the Company.

5. Financial Risk Management

Financial Risk Management Objectives and Policies
The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial Risks
The Company's main financial risk exposure and its financial risk management policies are as follows:

Market Risk
Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly

Fair Value Risk
Fair value risk is the potential for fair value fluctuations in the value of a financial instrument. The level of market risk to which the Company is exposed varies depending on market conditions, and expectations of future price and yield movements. The Company believes the carrying amounts of its financial assets and financial liabilities are a reasonable approximation of fair value.

Interest Rate Risk
The savings accounts are at variable rates. Consequently, the Company is exposed to a fluctuation of the interest rate on the market which could vary the interest income on the savings accounts. The Company does not use financial derivatives to decrease its exposure to interest risk.

Liquidity Risk
Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at January 31, 2013, the Company had, at its disposal, $99,011 in cash. The Company anticipates having sufficient funds to carry out an exploration and acquisition program, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

5. Financial Risk Management (Continued)

The carrying values, which approximate fair values, of the Company's financial instruments are as follows:

	January 31, 2013		October 9, 2012 (Date of Incorporation	
Financial Assets				
Fair value through profit and loss				
Cash	$	99,011	$	-
Amortized Cost				
HST receivable	$	983	$	-
Financial Liabilities				
Other financial liabilities				
Trade payables	$	13,382	$	-
Due from parent company	$	4,674	$	-

6. Capital Management

The Company's objective in managing capital is to ensure continuity as a going-concern and to safeguard its ability to continue its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company defines its capital as its shareholder's equity. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long term debt as the Company does not currently generate operating revenues. There is no dividend policy.

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets

Properties	Interest	Balance at October 9, 2012 (Date of Incorporation	Property Acquisition Costs	Exploration Expenditures	Disposal/ Write-Off	Balance at January 31, 2013
Ontario - Riverbank and Broke Back	100%	$ -	$ 368,000	$ -	$ (10,000)	$ 358,000
Ontario - Pigeon River	100%	-	700,000	540	-	700,540
		$ -	$ 1,068,000	$ 540	$ (10,000)	$ 1,058,540

Riverbank

On October 12, 2012 Zara entered into a Purchase and Assignment Agreement (the "Agreement") with CNRP Mining Inc ('CNRP"), a company that is under common control. Under the terms of the Agreement Zara agreed to purchase from CNRP all of CNRP's rights, interests, obligations and benefits in an Option Agreement dated August 10, 2011 with Melkior Resources Inc. ("Melkior"),

Under the terms of the Option Agreement dated August 10, 2011, the Company has the option to acquire from Melkior up to a 70% ownership interest in the Broke Back and Riverbank mining claims through the earning of two options. Under the first option Zara may earn a 51% interest by incurring $1.0 million in exploration expenditures by December 14, 2014. After earning and exercising its option for the 51% interest, the Company may earn a second option for a further 19% interest in the mining claims by incurring an additional $1.0 million in exploration expenditures within twenty-four months of exercising the first option. If the Company incurs exploration expenditures in excess of $1.0 million prior to December 14, 2014 then the amount in excess of $1.0 million shall be carried over and shall qualify and be accounted for as expenditures to effect the second option.

In consideration for the assignment of the Agreement, The Company agreed to issue 25.0 million common shares to CNRP's parent company, Winston Resources Inc. ("Winston"). In exchange of these shares, Winston agreed to pay the Company $100,000 cash and CNRP agreed to assign the Option Agreement to the Company. The Agreement was closed in December 2012, and the Company received the $100,000 cash payment from Winston and has issued the 25.0 million shares.

Under the terms of the Agreement, the Company was to issue and deliver to CNRP a 10% Promissory Note if expenditures of $235,000 were made on the Riverbank property and Brokeback property pursuant to the 2012 Work Program. Such expenditures were not made, and in accordance with the agreement, the contingent consideration was not due.

7. Exploration and Evaluation Assets (continued)

On January 23, 2013, the Company acquired 100% of the Riverbank/Brokeback claims from Melkior. The consideration was $68,000 payable by the issuance of 225,000 common shares of the Company at a deemed price of $0.10 per share and 455,000 non-voting 5% convertible Series A preference shares of the Company at a deemed price of $0.10 per share. The preference shares annual yield will be payable in common shares of the Company at the prevailing market price, and are convertible at the discretion of the Company into common shares of the Company at the market price at the time of conversion. Riverbank is also subject to a pre-existing 2% NSR.

On January 31, 2013, management determined it would no longer pursue the Brokeback portion of the claims and the Brokeback claims were allowed to lapse. Accordingly, the cost of the Brokeback property, which was estimated at $10,000, has been written off in the statement of loss and comprehensive loss for the period ended January 31, 2013.

Pigeon River

On January 7, 2013, the Company acquired 100% of the Pigeon River claims from Pele Mountain Resources ("Pele") for a purchase price of $700,000. The purchase price will be payable by the issuance of 2,250,000 common shares of the Company at a deemed price of $0.10 per share and 4,750,000 non-voting 5% convertible Series B preferred shares of the Company at deemed price of $0.10 per share. The preference shares annual yield will be payable in common shares of the Company at the prevailing market price. The property is also subject to a 2% NSR of which 0.5% is granted to Pele and 1.5% is granted to 2212150 Ontario Inc. (operating as Vanex Exploration). The 2,250,000 common shares valued at $225,000 and Series B non-voting convertible 5% preference shares valued at $475,000 were issued subsequent to the period end.

8. Share Capital

The Company's authorized share capital consists of:

(i) an unlimited number of common shares of which 25,225,001 are issued, and an unlimited number of special shares, issuable in series (see 8(ii)). The issuance of each series of special shares is subject to the directors fixing the number of shares that comprise each series and the designations, rights, privileges, restrictions and conditions attaching to each series.

(ii) 455,000 non-voting 5% convertible Series A preferred shares.
4,750,000 non-voting 5% convertible Series B preferred shares

The 5% annual yield on each series will be payable in common shares of the Company at the prevailing market price, and are convertible at the discretion of the Company into common shares at the market price at the time of conversion.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

Stock Options

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of ten years. The plan allows for the issuance of up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

Stock Options

The following table summarizes the activity in the Plan over the period.

	Number of Options	Weighted Average Exercise Price
Outstanding, October 9, 2012 (date of incorporation)	-	$ -
Granted	2,450,000	0.10
Cancelled	-	-
Outstanding, January 31, 2013	2,450,000	$ 0.10
Exercisable, January 31, 2013	2,450,000	$ 0.10

The following table sets out the details of the stock options granted and outstanding as at January 31, 2013:

Number of stock options	Remaining contractual life	Exercise price per share	Expiry Date
1,650,000	4.91 years	$ 0.10	December 28, 2017
800,000	1.91 years	0.10	December 28, 2014
2,450,000	3.93 years	$ 0.10	

Share-based compensation

The fair value of the stock options granted and fully vested for the period ended January 31, 2013 was $138,300 which has been expensed as share-based compensation in the statement of loss and comprehensive loss. Fair value was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 105%, risk free rate of 1.15%, and an executed life ranging from 2 to 5 years. At January 31, 2013, there were 2,450,000 vested options.

9. Plan of Arrangement

On October 12, 2012, The Company entered into a Plan of Arrangement (the "Plan") to acquire certain assets from Winston, its parent company. Under the terms of the Plan and during the period ended January 31, 2013, the Company issued 25.0 million common shares to Winston in exchange for $100,000 cash plus the mineral property Option Agreement described in note 7(i) above. Of the Company's shares issued, 2,580,979 shares were immediately transferred to Winston's shareholders as a distribution. Upon completion of the Plan, the Company became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and was listed on the CNSX under the symbol "ZRI.".

The terms of the Plan required that all costs and expenses of the transactions contemplated under the Plan, including legal, financial advisory, regulatory, printing and mailing costs, are to be paid and borne by Winston.

10. Related Party Transactions and Remuneration

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The loan from the parent company in the amount of $4,674 at January 31, 2013 is payable on demand and is interest-free.

The Company incurred management fees of $10,500 to Sammiri Capital Inc a private company of which the Company's Chief Executive Officer and the Vice President are directors. The management fees were for the provision to the Company of the management services of the Chief Executive Officer and the Vice President. As at January 31, 2013, the amount of $10,500 has not been paid and was owed thereto and has been included in trade payables.

11. Events after Reporting Period

(i)On February 1, 2013, the Company agreed to acquire 100% of the Forge Lake Gold Project located in Ontario from Hudson River Minerals Ltd ("HRM") for the sum of $583,010. The Company will acquire the property by the purchase of all the rights, title and interest to that certain Mineral Exploration Agreement dated November 1, 2011 ('the Licence") between HRM and 3011650 Nova Scotia Ltd. ("Licensor'). The License is subject to an original 5 years with an extension for a further 5 years and the right to convert from a license into a lease with rights to enter commercial production. If the property goes into production, there is a 3.0% royalty, of which the first 1% can be purchased for $1 Million and the second 1% can be re-purchased for $1 Million for each 0.5%. As consideration, the Company will issue HRM 5,715,780 common shares of the Company at a deemed price of $0.10 per common share. The consideration is subject to an agreement whereby HRM distributes the shares to its shareholders within 18 months. In addition, the Company will issue 2% of the $583,010 value to the Licensor or $11,432 payable through the issue of 114,316 common shares and guarantee three years of license and tax payments to the Licensor.

11. Events after Reporting Period *(continued)*

(ii) On March 20, 2013, the Company entered into a Purchase Agreement (the "Agreement") with its subsidiary Leo Resources Inc. ("Leo") Under the terms of the Agreement, Leo agreed to purchase from the Company, all of Company's rights, interests, obligations and benefits of the Riverbank property ("Riverbank") for $358,000. The Riverbank property consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1,392 hectares. The claims are located in the Kasabonika-McFauld's Greenstone Belt about 550 km northeast of Thunder Bay and 350 north of Geraldton, Ontario. Riverbank is subject to a pre-existing 2% NSR payable to Melkior Resources Inc. (TSXV: "MKR").

In consideration, Leo will issue 13,737,500 common shares of Leo to the Company at an attributed issue price of $0.02606 per share for a total of $358,000. In addition, as part of the Agreement, Leo will issue at closing to the Company, 100,000 Series A preferred shares for the sum of $100,000 cash.

On March 20, 2013, the Company announced that its board of directors has unanimously approved a proposal to spin-off to its shareholders 100% of its shares in Leo. Following the spin-off, Leo will apply for listing its common shares on the CNSX.

The spin-off will be transacted by way of a statutory plan of arrangement (the "Leo Plan") under the Business Corporations Act (British Columbia). Pursuant to the terms of the Leo Plan, the Company will distribute 13,737,500 common shares of Leo to holders of common shares of the Company on the Share Distribution Record Date. Each Company shareholder of record on the Share Distribution Record Date will receive 1 common share in the capital of Leo for every 2 common shares in the capital of the Company.

A Special Meeting ("Meeting") of the Company shareholders will be held on May 14, 2013 at which the shareholders will be asked to vote on a special resolution approving the Leo Plan, and also to approve the continuance of Zara into British Columbia. The Share Distribution Record Date and the Record Date for determining shareholders entitled to receive notice of and vote at the Meeting, is April 4 2013. If approved the spin-off would be completed shortly hereafter, subject to the receipt of all necessary approvals. The spin-off is subject to numerous conditions including shareholder approval and court approval, and completion of all regulatory filings.