Zara Resources Inc.

Interim Consolidated Financial Statements

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

to April 30, 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 consolidated 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 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 April 30, 2013 and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the 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 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 consolidated 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 consolidated financial statements by an entity's auditor.

Zara Resources Inc.

Interim Consolidated Statement of Financial Position

(Expressed in Canadian Dollars)
(Unaudited)
As at

		April 30, 2013
Assets		
Current Asset		
Cash	$	59,638
HST receivable		3,514
Prepaid expenses		10,185
		73,337
Exploration and Evaluation Assets *(Note 7)*		1,644,844
	$	1,718,181
Liabilities		
Current Liabilities		
Trade payables and accrued liabilities *(Note10)*	$	42,042
Preferred share dividends accrual *(Note 8)*		79,573
		121,615
Shareholders' Equity		
Common Share Capital *(Note 8)*		1,230,511
Convertible Preferred Shares *(Note 8)*		520,500
Reserve for Share-based Payments *(Note 8)*		138,300
Deficit		(292,745)
		1,596,566
	$	1,718,181

Going concern *(Note 2)*

Approved by the Board:

"Daniel Wettreich"
____________________ Director

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

Zara Resources Inc.

Interim Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)
(Unaudited)

	Period from October 9, 2012 (date of incorporation) to April 30, 2013	Three months ended April 30, 2013
Operating Expenses *(Note 9)*		
Bank charges and interest	$ 311	$ 311
Filing and listing fees	7,365	4,595
Legal and professional fees	15,871	15,871
Management fees	31,500	21,000
Printing expenses	1,044	1,044
Share-based compensation *(Note 8)*	138,300	-
Transfer agent fees	7,411	3,158
Shareholder information	1,370	1,370
Write-off of exploration and evaluation assets *(Note 7)*	10,000	-
	213,172	47,349
Net loss and comprehensive loss for the period	(213,172)	(47,349)
Loss per share -Basic and diluted	$ (0.01)	$ (0.00)
Weighted average number of common shares		
Basic and diluted	27,530,471	27,530,471

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

Zara Resources Inc.

Interim Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)
(Unaudited)

	Common Share Capital		Convertible Preferred Share Capital		Reserves		
	Number of Shares	Amount	Number of Shares	Amount	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 properties	8,305,096	830,510	-	-	-	-	1,351,010
Share-based compensation	-	-	-	-	138,300	-	138,300
Convertible Series A preferred shares issued on acquisition of mining properties	-	-	455,000	45,500	-	-	45,500
Convertible Series B preferred shares issued on acquisition of mining properties	-	-	4,750,000	475,000	-	-	475,000
Preferred share dividends	-	-	-	-	-	(79.573)	(79,573)
Net loss for the period	-	-	-	-	-	(213,172)	(213,172)
Balance – April 30, 2013	33,305,097	$ 1,230,511	5,205,000	$ 520,500	$ 138,300	$ (292,745)	$ 1,596,566

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

Zara Resources Inc.

Interim Consolidated Statement of Cash Flows

(Expressed in Canadian Dollars)
(Unaudited)

	Period from October 9, 2012 (date of incorporation) to April 30, 2013	Three months ended April 30, 2013
Operating Activities		
Net loss for the period	$ (213,172)	$ (47,349)
Non-cash items included in loss:		
Share-based compensation	138,300	-
Write-off of exploration and evaluation assets	10,000	-
	(64,872)	(47,349)
Changes in non-cash working capital:		
HST receivable	(3,514)	(2,531)
Prepaid expenses	(10,185)	(10,185)
Trade payables and accrued liabilities	42,042	28,660
Cash Used in Operating Activities	(36,529)	(31,405)
Financing Activities		
Issuance of common share	1	-
Cash received on asset transfer from parent company	100,000	-
Due to parent company	-	(4,674)
Cash from Financing Activities	100,001	(4,674)
Investing Activities		
Additions to exploration and evaluation assets	(3,834)	(3,294)
Cash Used in Investing Activities	(3,834)	(3,294)
Increase (decrease) in cash during the period	59,638	(39,373)
Cash – beginning of period	-	99,011
Cash - end of period	$ 59,638	$ 59,638

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

1. Governing Statutes and Nature of Operations

Zara Resources Inc. ("Zara" or "the Company") was incorporated on October 9, 2012 in the province of Ontario. After the period end, Zara was continued into British Columbia. The Company is engaged in the business of the acquisition, exploration and development of mining properties in Canada. Zara is 40.4% owned by GreenBank Capital Inc. and 26.9% owned by Winston Resources Inc., both Canadian public companies. The Company is a public company whose common shares are listed for trading on the CNSX under the symbol "ZRI". 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 has recently acquired its first mineral properties and exploration has not commenced. 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 properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation assets. 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 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 June 28, 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.

4. Significant Accounting Policies

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

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

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Leo Resources Inc. On consolidation, all intercompany transactions and balances were eliminated

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 from the issued shares.

Financial instruments
Fair value through profit or loss
Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income or expense during the period.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transactions costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

4. Significant Accounting Policies (Continued)

Financial instruments

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss.

Reversals of impairment losses are recognized in other comprehensive income; except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. Significant Accounting Policies (Continued)

Financial instruments
The company's cash is considered Level 1 in the hierarchy.

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 April 30, 2013, the Company had $59,638 in cash. The Company anticipates having sufficient funds to carry out a limited 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:

The Company has designated its cash at fair value through profit and loss. The HST receivable is classified as loans and receivables whereby it is initially recognized at fair value and then subsequently carried at amortized cost. Trade payables and accrued liabilities and the preferred dividends accrual are classified as other financial liabilities whereby they are initially recognized at fair value and then measured at amortized cost. The carrying values, which approximate fair values, of the Company's financial instruments are as follows:

	April 30, 2013		October 9, 2012 (Date of Incorporation)	
Financial Assets				
Fair value through profit and loss				
Cash	$	59,638	$	-
Amortized Cost				
HST receivable	$	3,514	$	-
Financial Liabilities				
Other financial liabilities				
Trade payables and accrued liabilities	$	42,042	$	-
Preferred share dividends accrual	$	79,573	$	-

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 April 30, 2013
Ontario - Riverbank and Broke Back	100%	$ -	$ 368,000	$ -	$ (10,000)	$ 358,000
Ontario - Pigeon River	100%	-	700,000	2,400	-	702,400
Ontario - Forge Lake	100%	-	583,010	1,434	-	584,444
		$ -	$ 1,651,010	$ 3,834	$ (10,000)	$ 1,644,844

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 is to pay the Company $100,000 cash and CNRP is to assign the Option Agreement to the Company. As at April 30, 2013, 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 is to issue and deliver to CNRP a 10% Promissory Note if expenditures of $235,000 are made on the Riverbank property and Brokeback property pursuant to the 2012 Work Program. The 2012 Work Program was not completed, 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 Riverbank/Brokeback property and the Brokeback claims were allowed to lapse. Accordingly, the cost of that property, which was estimated at $10,000, has been written off in the statement of loss and for the period ended April 30, 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 was 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 were valued at $225,000 and the non-voting convertible 5% preference shares were valued at $475,000 and were issued during the period..

Forge Lake

On April 16, 2013, the Company completed the acquisition of 100% of the Forge Lake Gold Project located in Ontario from Hudson River Minerals Ltd ("HRM") for the sum of $583,010. The Company acquired 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 issued 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 and until such time distribution takes place the shares cannot be sold and voting rights are to be exercised by Danny Wettreich, the CEO of Zara, under a voting rights agreement.

In addition, the Company issued 2% of the $583,010 value to the Licensor or $11,432 payable through the issue of 114,316 common shares during the period and guarantees three years of license and tax payments to the Licensor.

(Expressed in Canadian Dollars)

8. Share Capital

The Company's authorized share capital consists of:

(i) an unlimited number of common shares of which 33,305,097 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 filing of Articles of Amendment with 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.

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.

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, April 30, 2013	2,450,000	$ 0.10
Exercisable, April 30, 2013	2,450,000	$ 0.10

Preferred Share Dividends

Dividends on the 455,000 non-voting 5% convertible Series A preferred shares and the 4,750,000 non-voting 5% convertible Series B preferred shares have been accrued in the amount of $79,573 at April 30, 2013. The dividends are payable in common shares of Zara at prevailing market prices, and are paid annually.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

The following table sets out the details of the stock options granted and outstanding as at April 30, 2013:

Number of stock options	Remaining contractual life	Exercise price per share	Expiry Date
1,650,000	4.66 years	$ 0.10	December 28, 2017
800,000	1.66 years	0.10	December 28, 2014
2,450,000	3.68 years	$ 0.10	

Share-based compensation

The fair value of the stock options granted and fully vested for the period ended April 30, 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 April 30, 2013, there were 2,450,000 vested options.

9. Plans of Arrangement

(i)Winston Plan of Arrangement

On October 12, 2012, The Company entered into a Plan of Arrangement (the "Winston Plan") to acquire certain assets from Winston, its parent company. Under the terms of the Winston Plan and during the period ended April 30, 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 dividend. Upon completion of the Winston 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 Winston Plan requires that all costs and expenses of the transactions contemplated under the Winston Plan, including legal, financial advisory, regulatory, printing and mailing costs, were paid and borne by Winston.

9. Plans of Arrangement

(ii)Leo Plan of Arrangement

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 of the Company shareholders was held on May 14, 2013 at which time the shareholders voted to approve Leo Plan and a continuance of the Company into British Columbia. The spin-off is subject to numerous conditions including court approval, and completion of all regulatory filings. The continuance, once granted, will facilitate the spin off by way of statutory plan of arrangement under the Business Corporations Act of British Columbia.

Subsequent to the period end, consent for the continuance was granted in Ontario and it is presently being processed in British Columbia.

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 Company incurred management fees of $31,500 to a private company controlled by an officer, for the provision of management services. As at April 30, 2013, the amount of $31,500 was owed thereto and has been included in trade payables and accrued liabilities.

11. Events after the Reporting Period

On June 10, 2013, Zara announced an offer (the "Offer") to purchase the common shares of Visible Gold Mines Inc. (TSXV: VGD) ("Visible") at a price of $0.03375 per Visible share. Zara will issue Zara common shares to tendering Visible shareholders. The offer is available to Visible shareholders who are Accredited Investors. Upon acquiring up to 19.9% of Visible, Zara will press for board and management changes, calling a meeting of shareholders to replace current Visible board with Zara nominee's.

The offer is to purchase up to 11,369,767 Visible shares representing up to 19.9% of the issued and outstanding common shares of Visible. The Offer is at a price of $0.03375 per share to be satisfied by the issuance of Zara shares. Tendering shareholders will receive 0.28125 shares of Zara in exchange for each tendered share of Visible. Based on the most recent trading price of Visible at $0.015 and Zara at $0.12, the Offer represents a premium of approximately 125%. Danny Wettreich, the CEO of Zara, has advised Zara that he will be accepting the offer with respect to the 5% of the share of Visible that he presently owns.

The Offer is open to tendering shareholders in Canada who are Accredited Investors, as defined in the applicable securities legislation. Full details of the Offer will be included in a letter to shareholders of Visible, along with a Letter of Transmittal. Zara has established a website at www.ZaraVisibleSupportTheNewBoard.com which has full information on the Offer, the proposed new Visible board of directors, and the reasons why shareholders of Visible should support the new board. The Offer remains open until July 25, 2013 and may be withdrawn or amended by Zara at any time.