

Zara Resources Inc.

**Audited
Interim Financial Statements**

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

to October 19, 2012

(Expressed in Canadian Dollars)

Chartered Accountants
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Independent Auditors' Report

To the Director of
Zara Resources Inc.

We have audited the accompanying interim financial statements of Zara Resources Inc. ("the Company"), which comprise the interim statement of financial position as at October 19, 2012, and the interim statements of comprehensive loss, changes in equity and cash flows for the period from October 9, 2012 (*date of incorporation*) to October 19, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the interim financial statements present fairly, in all material respects, the financial position of Zara Resources Inc. as at October 19, 2012, and its financial performance and its cash flows for the period from October 9, 2012 (*date of incorporation*) to October 19, 2012 in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, the accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in the notes to these financial statements, the Company has not generated revenues to date. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

November 1, 2012


Licensed Public Accountants

Zara Resources Inc.

Interim Statement of Financial Position

(Expressed in Canadian Dollars)

<i>As at October 19,</i>	2012
Assets	
Current Asset	
Cash	\$ 100,001
	\$ 100,001
Liabilities	
Current Liabilities	
Accrued liabilities	\$ -
Shareholder's Equity	
Share Capital (Note 8)	1
Shares Subscribed, Not Issued (Note 7)	100,000
Deficit	-
	100,001
	\$ 100,001

Going concern (Note 2)

The accompanying notes are an integral part of these financial statements

Approved by the Board:

_____"Daniel Wettreich"_____
Director

Zara Resources Inc.

Interim Statement of Comprehensive Loss

(Expressed in Canadian Dollars)

Period from October 9, 2012 <i>(date of incorporation)</i> to	October 19, 2012
Operating Expenses <i>(Note 9)</i>	
Professional fees	\$ -
Comprehensive Loss	\$ -

The accompanying notes are an integral part of these financial statements

Zara Resources Inc.

Interim Statement of Changes in Equity

(Expressed in Canadian Dollars)

	<u>Common Share Capital</u>				
	No.	Amount	Shares Subscribed, Not Issued	Deficit	Total Equity
Common shares issued for cash upon incorporation date of October 9, 2012	1	\$ 1			\$ 1
Cash received from parent company (Note 7)			\$ 100,000		100,000
Comprehensive loss (Note 9)				\$ -	-
Balance at					
October 19, 2012	1	\$ 1	\$ 100,000	\$ -	\$ 100,001

The accompanying notes are an integral part of these financial statements

Zara Resources Inc.

Interim Statement of Cash Flows

(Expressed in Canadian Dollars)

<i>For the period from October 9, 2012 (date of incorporation) to</i>	October 19, 2012
Operating Activities	
Comprehensive loss	\$ -
Adjustment to reconcile comprehensive loss to cash flows from operating activities:	
Accrued liabilities	-
Cash Used in Operating Activities	-
Financing Activities	
Issuance of common share	1
Shares subscribed, not issued	100,000
Cash from financing Activities	
Investing Activities	-
Increase in Cash, being Cash at End of Period	\$ 100,001

The accompanying notes are an integral part of these financial statements

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

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. The Company is engaged in the business the acquisition, exploration and development of mining properties in Canada. Zara is 100% 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 November 1, 2012, 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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (date of incorporation) to October 19, 2012

(Expressed in Canadian Dollars)

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 from 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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (date of incorporation) to October 19, 2012

(Expressed in Canadian Dollars)

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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (date of incorporation) to October 19, 2012

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

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 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.

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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (date of incorporation) to October 19, 2012

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (Continued)

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.

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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (date of incorporation) to October 19, 2012

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

Financial Assets and Financial Liabilities (Continued)

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.

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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

Future Accounting Policies (Continued)

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

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

5. Financial Risk Management (Continued)

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 October 19, 2012, the Company had, at its disposal, \$100,000 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.

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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets

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, CNRP has a right to acquire up to a 70% interest in certain mining claims and rights known colloquially as the "Riverbank" and "Broke Back" claims

In consideration for the assignment of the Agreement, Zara agreed to issue 25.0 million common shares to CNRP's parent company, Winston Resources Inc. ("Winston") who is also Zara's 100% shareholder. In exchange of these shares Winston is to pay Zara \$100,000 cash and CNRP is to assign the Option Agreement to Zara. As at October 19, 2012 Zara received the \$100,000 cash payment from Winston. Upon the receipt of this cash payment the offsetting credit was recorded in equity as shares subscribed but not issued.

Under the terms of the Agreement Zara 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. If the 2012 Work Program is not completed, then such contingent consideration will not be due. The closing of this purchase and assignment is intended to take place on the Effective Date as part of the Plan of Arrangement, which is the date upon which the 25.0 million shares will be issued.

Under the terms of the Option Agreement dated August 10, 2011 Zara 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 Zara 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 Zara 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.

8. Share Capital

Zara's authorized share capital consists of an unlimited number of common shares and an unlimited number of special shares, issuable in series. 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.

Zara Resources Inc.

Notes to Interim Financial Statements

For the period from October 9, 2012 *(date of incorporation)* **to October 19, 2012**

(Expressed in Canadian Dollars)

9. Subsequent Events

On October 12, 2012, Zara entered into a Plan of Arrangement (the "Plan") to acquire certain assets from Winston, its parent company. Under the terms of the Plan, Zara is to issue 25.0 million common shares to Winston in exchange for \$100,000 cash plus the mineral property Option Agreement described in note 7 above. Of the Zara shares issued 2,580,979 shares will be immediately transferred to Winston's shareholders as a dividend. Upon completion of the Plan Zara will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

The terms of the Plan requires 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. As such, Zara has no operations to report in its interim statement of comprehensive loss. Completion of the Plan is subject to both regulatory and shareholder approval.