parker simone LLP

Zara Resources Inc.

Audited Consolidated Financial Statements

Period from October 9, 2012
(date of incorporation)
to July 31, 2013

(Expressed in Canadian Dollars)

parker simone LLP

Chartered Accountants

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Independent Auditor's Report

To the Shareholders of
Zara Resources Inc.

We have audited the accompanying consolidated financial statements of Zara Resources Inc. ("the Company"), which comprise the consolidated statement of financial position as at July 31, 2013, and the consolidated statement of comprehensive loss, interim consolidated statement of changes in equity and consolidated statement of cash flows for the period from October 9, 2012 *(date of incorporation)* to July 31, 2013, 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.

Auditor's 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 financial statements present fairly, in all material respects, the financial position of Zara Resources Inc. as at July 31, 2013, and its financial performance and its cash flows for the period from October 9, 2012 *(date of incorporation)* to July 31, 2013 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 and has incurred significant losses. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These consolidated 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.

parker simone LLP.

November 13, 2013

Licensed Public Accountants

Zara Resources Inc.

Audited Consolidated Statement of Financial Position

(Expressed in Canadian Dollars)

	As at July 31, 2013
Assets	
Current Asset	
Cash	$ 207,689
HST recoverable	26,150
Prepaid expenses	3,274
	237,113
Exploration and Evaluation Assets *(Note 7)*	1,650,888
	$ 1,888,001
Liabilities	
Current Liabilities	
Trade payables and accrued liabilities *(Note 10)*	$ 148,764
Due to a director *(Note 10)*	845
	149,609
Shareholders' Equity	
Units Proceeds Received, Units Not Issued *(Note 12)*	100,000
Convertible Preferred Shares *(Note 8)*	520,500
Common Share Capital *(Note 8)*	1,319,306
Reserve for Share-based Compensation *(Note 8)*	196,800
Reserve for Warrants *(Note 8)*	156,000
Deficit	(554,214)
	1,738,392
	$ 1,888,001

Going concern *(Note 2)*

/s/Daniel Wettreich, Director

/s/Mark Wettreich, Director

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

Zara Resources Inc.

Audited Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

		Period from October 9, 2012 *(date of incorporation)* to July 31, 2013
Operating Expenses *(Note 9)*		
Bank charges and interest	$	422
Consulting fees		36,000
Filing and listing fees		9,265
Investor relations and market research		50,600
Legal and professional fees		177,530
Management fees		52,500
Office and general expenses		2,872
Share-based compensation *(Note 8)*		196,800
Transfer agent fees		13,324
Shareholder information		4,901
Write-off of exploration and evaluation assets *(Note 7)*		10,000
		554,214
Net loss and comprehensive loss for the period	$	(554,214)
Loss per share - Basic and diluted	$	(0.02)
Weighted average number of common shares		
Basic and diluted		30,226,356

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

Zara Resources Inc.

Audited Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Common Share Capital			Convertible Preferred Share Capital		Reserves			
	Number of Shares	Amount	Units	Number of Shares	Amount	Share-Based Compensation	Warrants	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 *(Note 7)*	25,000,000	400,000		-	-	-	-	-	400,000
Issued on acquisition of exploration and evaluation assets *(Note 7)*	8,305,096	830,510		-	-	-	-	-	830,510
Valuation of warrants on acquisition of Exploration and evaluation assets *(Note 8)*		(8,000)					8,000		
Issued on private placement	833,333	100,000							100,000
Units proceeds received, units not issued *(Note 12)*			$ 100,000						100,000
Valuation of warrants issued on private placement *(Note 8)*		(113,000)					113,000		-
Shares issued on debt settlement *(Note 8)*	1,247,534	144,795		-	-	-	-	-	144,795
Valuation of warrants issued on debt settlement *(Note 8)*	-	(35,000)				-	35,000	-	-
Share-based compensation *(Note 8)*	-	-		-	-	196,800	-	-	196,800
Convertible Series A preferred shares issued on acquisition of exploration and evaluation assets *(Note 7)*	-	-		455,000	45,500	-	-	-	45,500
Convertible Series B preferred shares issued on acquisition of exploration and evaluation assets *(Note 7)*	-	-		4,750,000	475,000	-	-	-	475,000
Comprehensive loss for the period	-	-		-	-	-	-	(554,214)	(554,214)
Balance at July 31, 2013	**35,385,964**	**$ 1,319,306**	**$ 100,000**	**5,205,000**	**$ 520,500**	**$ 196,800**	**$ 156,000**	**$ (554,214)**	**$ 1,738,392**

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

Zara Resources Inc.

Audited Consolidated Statement of Cash Flows

(Expressed in Canadian Dollars)

		Period from October 9, 2012 (date of incorporation) to July 31, 2013
Operating Activities		
Loss for the period	$	(554,214)
Non-cash items included in comprehensive loss:		
Share-based compensation *(Note 8)*		196,800
Write-off of exploration and evaluation asset *(Note 7)*		10,000
Settlement of expenses with non-cash common share consideration *(Note 8)*		144,795
		(202,619)
Changes in non-cash working capital:		
HST recoverable		(26,150)
Prepaid expenses		(3,274)
Trade payables and accrued liabilities		148,764
Due to director		845
Cash Used in Operating Activities		(82,434)
Financing Activities		
Issuance of common shares for cash *(Note 8)*		100,001
Units proceeds received, units not issued *(Note 12)*		100,000
Cash received on asset transfer from parent company *(Note 7)*		100,000
Cash from Financing Activities		300,001
Investing Activities		
Additions to exploration and evaluation assets *(Note7)*		(9,878)
Cash Used in Investing Activities		(9,878)
Increase in cash during the period		207,689
Cash – beginning of period		-
Cash - July 31, 2013	$	207,689

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

Zara Resources Inc.

Notes to Audited Consolidated Financial Statements

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

(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. On July 3, 2013 the Company received its Certificate of Continuation and is now a company governed under the British Columbia Business Corporations Act. The Company is engaged in the business of the acquisition, exploration and development of mining properties in Canada. At the year end, Zara is 38.0% owned by GreenBank Capital Inc. and 25.3% 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 is newly incorporated and has recently acquired its first exploration and evaluation assets ("E&EA"), as such active exploration has not commenced. It is unknown whether the E&EA contain 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 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 E&EA 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 E&EA, and making the required payments pursuant to E&EA share purchase agreements. The Company has yet to generate income and cash flows from its operations. There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop and bring to commercial production its E&EA. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

3. Basis of Presentation and Statement of Compliance

Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These audited consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November XX, 2013.

Basis of Presentation

These audited consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value, and have been prepared using the accrual basis of accounting, as explained in the accounting policies set out in Note 4.

These audited consolidated financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

4. Significant Accounting Policies

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

Principles of consolidation

These audited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Leo Resources Inc., which was incorporated on March 18, 2013. As at July 31, 2013 this subsidiary had not yet commenced active operations. On consolidation, all intercompany transactions and balances were eliminated.

Significant Estimates and Judgments

The preparation of these audited consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses.

4. Significant Accounting Policies (Continued)

Significant Estimates and Judgments *(continued)*
Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to impairment assessments of E&EA, recoverability of HST and the valuation of share-based payments. The most significant judgements relate to the use of the going concern assumption in the preparation of the financial statements, the recognition of deferred income tax assets and liabilities, and the determination of the economic viability of exploration and evaluation assets.

Related Party Transactions
Parties are considered to be related if one party has the ability to directly or indirectly 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.

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 assets and liabilities and their carrying amounts for financial reporting purposes.

4. Significant Accounting Policies (Continued)

Deferred income taxes (Continued)

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing in the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 profit 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 tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position. Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax 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 these assets suffer an impairment in value. 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount with a corresponding impairment loss recognized in the statement of comprehensive income in the period of impairment.

if an impairment loss reverses in a subsequent period then the carrying amount of the asset is increased to its revised value to the extent that the increased carrying amount does not exceed its original carrying amount at the initial date of acquisition.

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 asset 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.

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

The Company had no comprehensive income or loss transactions, other than its net loss, nor has the Company accumulated other comprehensive income/loss during the period presented.

4. Significant Accounting Policies (Continued)

Equity Settled Transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share based compensation reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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. The convertible preferred shares are classified as equity as they are non-redeemable and only convertible into common shares of Zara's common shares at the sole discretion of the Company.

Financial instruments
Fair value through profit or loss
Financial assets that are held with the intention of generating profits in the near term 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.

4. Significant Accounting Policies (continued)

Financial instruments (Continued)

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.

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); and

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. In the years when the Company reports a net loss, the effect of potential issuances of common shares are anti-dilutive, therefore, basic and fully diluted loss per common share is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as the conversion of preferred shares, 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 and the conversion of preferred shares that are used to purchase common shares at the average market price during the period. For the period ended July 31, 2013, all the outstanding options, warrants and convertible preferred shares are anti-dilutive.

4. Significant Accounting Policies (Continued)

Future Accounting Policies

At the date of authorization of these Financial Statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting period.

- 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 10 *'Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- IAS 32 *'Financial instruments, Presentation'* – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

- 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.

The Company has not early adopted these standards. The Company is currently assessing the impact the application of these standards may have on the consolidated 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:

Credit risk
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. The Company's asset most susceptible to credit risk is its cash, which is held at a major Canadian bank in a non-interest bearing account, and HST recoverable, which is due from the Canadian government. As such, the risk of loss on these assets is minimal.

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.

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 July 31, 2013, the Company had $207,689 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 (including expenses relating to the Company's intention to acquire certain target companies as detailed in Note 12) 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 they are initially recognized at fair value and then subsequently carried at amortized cost. Trade payables and accrued liabilities, due to director and convertible preferred share subscription proceeds received in advance 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:

		July 31, 2013
Financial Assets		
Fair value through profit and loss		
Cash	$	207,689
Financial Liabilities		
Other financial liabilities		
Trade payables and accrued liabilities		148,764
Due to director		845

6. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of E&EA and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's managements to sustain future development of the business.

All of the E&EA, in which the Company currently has an interest, are in the exploration stage with no operating revenues; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new E&EA and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

(Expressed in Canadian Dollars)

6. Capital Management (Continued)

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have, and are expected to continue to have, an adverse impact on the ability of junior mining exploration companies to secure equity funding. The Company has historically relied on equity financing to raise capital and expects to be able to continue to do so, but its ability to do so may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

7. Exploration and Evaluation Assets

Ontario Properties	Percent Interest	Balance at October 9, 2012 (Date of Incorporation)	Property Acquisition Costs	Exploration Expenditures	Disposal/ Write-Off	Balance at July 31, 2013
Riverbank and Broke Back	100%	$ -	$ 368,000	$ -	$ (10,000)	$ 358,000
Pigeon River	100%	-	700,000	2,400	-	702,400
Forge Lake	100%	-	584,444	6,044	-	590,488
		$ -	$ 1,652,444	$ 8,444	$ (10,000)	$ 1,650,888

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.

7. Exploration and Evaluation Assets (Continued)

Riverbank (continued)
In consideration for the assignment of the Agreement, The Company issued 25.0 million common shares to CNRP's parent company, Winston Resources Inc. ("Winston"). In exchange for these shares, Winston paid the Company $100,000 cash and CNRP assigned the Option Agreement to the Company.

Under the terms of the Agreement, there was a contingent consideration whereby the Company was due to issue to CNRP a 10% Promissory Note if expenditures of $235,000 were made on the Riverbank property and Brokeback property prior to December 2012. Such expenditures were not completed, and in accordance with the agreement, the contingent consideration was not due or paid.

On January 23, 2013, the Company acquired 100% of the Riverbank/Brokeback claims from Melkior, and accordingly the Option Agreement became null and void. The consideration was $68,000 payable by the issuance of 225,000 common shares of the Company at a fair value of $0.10 per share and 455,000 non-voting 5% convertible Series A preference shares of the Company at a fair value 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 July 31, 2013.

On March 20, 2013 the Company entered into a Purchase Agreement (the "Agreement") with its subsidiary Leo Resources Inc. ("Leo") whereby Leo agreed to purchase from the Company, all of Company's rights, interests, obligations and benefits of the Riverbank property by way of a Plan of Arrangement (see Note 9 (ii)).

Pigeon River
On January 7, 2013, the Company acquired 100% of the Pigeon River claims located in Ontario from Pele Mountain Resources ("Pele") for a purchase price of $700,000. The purchase price was paid by the issuance of 2,250,000 common shares of the Company at a fair value of $0.10 per share and 4,750,000 non-voting 5% convertible Series B preferred shares of the Company at a fair value of $0.10 per share. The preference shares annual yield is 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.

7. Exploration and Evaluation Assets (Continued)

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 License") 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 fair value 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 when the 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 guaranteed three years of license and tax payments to the Licensor.

8. Share Capital

(a) Authorized Share Capital

The Company's authorized share capital consists of:

(i) an unlimited number of voting common shares;

(ii) an unlimited number of series A non-voting preferred shares

(iii) an unlimited number of series B non-voting preferred shares

(iv) an unlimited number of series C non-voting preferred shares

Each series of preferred shares may be converted into common shares at the option of the Company. Each series of preferred shares are convertible into such number of common shares equal to the quotient of the paid-up capital of the preferred shares divided by the market price of the common shares on the date of conversion. Each series of preferred shares are subject to cumulative dividends at the rate of 5% per annum, which is payable in common shares of the Company based upon the prevailing market price of the common shares.

8. Share Capital (Continued)

(b) *Private placement*

On June 21, 2013, the Company closed a private placement raising gross proceeds of $100,000. The Company issued 833,333 units at a price of $0.12 per unit. Each unit is comprised of one common share and two share purchase warrants, with each warrant exercisable into one common share at an exercise price of $0.12 per share until June 20, 2015. A total of $113,000 was allocated to the warrants using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 109%, risk free interest rate of 1.23% and an executed life of 2 years.

(c) *Shares issued on debt settlement*

(i) On May 24, 2013, the Company effected a conversion of $10,000 of trade debt into Units of the Company, each Unit comprising of one common share at $0.11 per share and one warrant exercisable at $0.1375 and expiring May 24, 2016. The debt conversion resulted in the issuance of 90,909 common shares and 90,909 warrants. The debt was related to legal costs payable to an arm's length legal firm. The fair value of the warrants was $6,000.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 of 3 years.

(ii) On June 6, 2013, the Company effected a conversion of $20,000 of trade debt into common shares of Zara at $0.10 per share. The debt conversion resulted in the issuance of 200,000 common shares. No commission was payable in relation to this debt conversion. The debt was related to market research consultancy fees payable to an arm's length party. No commission was payable in relation to this debt conversion.

(iii) On June 24, 2013, the Company effected a conversion of $41,250 of its trade debt into common shares of Zara at $0.12 per share. The debt conversion resulted in the issuance of 343,750 common shares. No commission was payable in relation to this debt conversion. The debt was comprised of $36,000 in consulting fees payable to a director and $5,250 in video consultancy fees payable to an arm's length party. No commission was payable in relation to these debt conversions.

(iv) On July 2, 2013, the Company effected a conversion of $49,545 of trade debt into Units of the Company, each Unit comprising of one common share at $0.12 per share and one warrant exercisable at $0.18 per share and expiring July 2, 2016. The debt conversion resulted in the issuance of 412,875 common shares and 412,875 warrants. The debt was related to legal costs payable to an arm's length legal firm. The fair value of the warrants was $29,000.Fair value was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 109%, risk free rate of 1.22%, and an executed life of 3 years. No commission was payable in relation to this debt conversion.

(Expressed in Canadian Dollars)

8. Share Capital (Continued)

(c) ***Shares issued on debt settlement*** *(continued)*

(v) On July 2, 2013, the Company effected a conversion of $24,000 of trade debt into common shares of Zara at $0.12 per share. The debt conversion resulted in the issuance of 200,000 common shares. The debt was incurred in June 2013 and related to video consultancy fees payable to an arm's length party. No commission was payable on this debt conversion.

(f) ***Shares issued on acquisition of mineral properties***

On January 7, 2013, the Company issued 2,250,000 common shares at an issue price of $0.10 per share and 4,750,000 non-voting preference shares for a total of $700,000. As part of the agreement 200,000 warrants were to be issued to Vanex with an exercise price of $0.20 per share until January 6, 2015. A total of $8,000 was allocated to the warrants using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 105%, risk free interest rate of 1.17% and an executed life of 2 years.

Warrants

The issued and outstanding warrants balance at July 31, 2013 is comprised as follows:

Date of Expiry	Description	Fair Value	Number of Warrants	Exercise Price
January 6, 2015	Warrants	$ 8,000	200,000	$ 0.20
May 24, 2016	Warrants	6,000	90,909	$ 0.1375
June 21, 2015	Warrants	113,000	1,666,666	$ 0.12
July 2, 2016	Warrants	29,000	412,875	$ 0.18
		$ 156,000	**2,370,450**	

(Expressed in Canadian Dollars)

8. Share Capital (Continued)

Stock Options

The Company has a stock option plan 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.

	Fair Value	Number of Options	Weighted Average Exercise Price
Outstanding, October 9, 2012 *(date of incorporation)*		-	$ -
Granted	26,000	2,850,000	0.103
Cancelled	-	-	-
Outstanding, July 31, 2013	196,800	2,850,000	$ 0.103
Exercisable, July 31, 2013	**196,800**	**2,850,000**	$ 0.103

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

Number of stock options	Remaining contractual life	Exercise price per share	Expiry Date
1,650,000	4.41 years	$ 0.10	December 28, 2017
800,000	1.41 years	0.10	December 28, 2014
400,000	1.89 years	0.12	June 21, 2015
2,850,000	3.22 years	$ 0.103	

Share-based compensation

The fair value of the stock options granted and fully vested for the period ended July 31, 2013 was $196,800 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 factors: dividend yield rate of 0%, volatility of 105% to 109%, risk free rates ranging from 1.17% to 1.38%, and an executed life ranging from 2 to 5 years.

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 then parent company. Under the terms of the Winston Plan and during the period ended July 31, 2013, the Company issued 25.0 million common shares to Winston in exchange for $100,000 cash plus the Riverbank 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 on December 10, 2012 under the symbol "ZRI.".

(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 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. 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 one common share in the capital of Leo for every 2two common shares in the capital of the Company.

A Special Meeting ("Meeting") of shareholders of the Company 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 will facilitate the spin off under the Business Corporations Act of British Columbia.

9. Plans of Arrangement (Continued)

During the period, consent for the continuance was granted in Ontario and in British Columbia. On August 2, 2013 the Leo Plan was approved by the Supreme Court of British Columbia and the purchase by Leo of Riverbank and the spin off to Zara shareholders was completed. Accordingly, effective the date of the Supreme Court approval of the Leo Plan, Leo is no longer a subsidiary of the Company and the Riverbank property is no longer owned by the Company. Leo was listed on the CNSX on August 16, 2013.

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 became listed on the CNSX on December 10, 2012 and prior to that date no management fees were paid or accrued. From the listing date, monthly management fees are being accrued to Sammiri Capital Inc in the amount of $5,000 for Danny Wettreich and $2,000 for Mark Wettreich for providing services as CEO and Vice President respectively

The Company has incurred management fees of $52,500 to Sammiri Capital Inc for the period ended July 31, 2013 but no amounts have been paid. At July 31, 2013, the amount of $59,325 (including HST) related thereto has been included in accounts payable and accrued liabilities.

The July 31, 2013 amount of $845 is due to a director of the Company and arose as a result of the officer paying normal operating expenses on behalf of the Company. There are no fixed terms of repayment.

(Expressed in Canadian Dollars)

11. Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	Period from October 9, 2012 (date of incorporation) to July 31, 2013	
	$	**%**
Loss before income taxes	(554,214)	
Combined statutory rate	26.50%	
	(147,000)	26.50
Permanent differences, non deductible	147,000	(26.50)
	-	-

The Company has $nil in non-capital losses carry-forward

Deferred income tax assets

The tax effects of temporary differences that give rise to significant portions of future tax assets are as follows:

	July 31, 2013
Mineral properties exploration	$ 97,000
Less: valuation allowance	(97,000)
	$ -

12. Units Proceeds Received, Units Not Issued

On July 31, 2013, the Company received $100,000 proceeds in advance of an August 1, 2013 private placement of 833,333 Units at a value of $0.12 per Unit. Each Unit consists of one Series C Preferred Share plus two common share purchase warrants ("Common Warrant").Each Common Warrant is exercisable into one common share for cash consideration of $0.18 These Common Warrants expire thirty-six months from their date of issue, being August 1, 2013 (see Note 13(i).

(Expressed in Canadian Dollars)

13. Events after the Reporting Period

(i) On August 1, 2013 the Company agreed to a private placement of 833,333 Units in the capital of Zara at $0.12 per unit for the aggregate subscription amount of $100,000. Each Unit consists of one Series C Preferred Share with a 5% yield payable in common shares of Zara at the prevailing market price and convertible into common shares on a one for one basis, and two common share purchase warrants, each warrant being exercisable for 36 months into one common share of Zara at $0.18 per share. In connection with this Private Placement, the Company will pay a cash finder's fee in an amount of $3,000. The proceeds of the private placement will be used for general corporate purposes.

(ii) On August 2, 2013 the Leo Plan was approved by the Supreme Court of British Columbia and the purchase by Leo of Riverbank and the spin off to Zara shareholders was completed. Accordingly Leo is no longer a subsidiary of the Company and the Riverbank property is no longer owned by the Company. Leo was listed on the CNSX on August 16, 2013.

(iii) On August 19, 2013 Zara announced its intention to offer to acquire shares of Visible Gold Mines Inc. ("Visible"), Greencastle Resources Ltd. ("Greencastle"), and Altai Resources Inc. ("Altai") (collectively the "Targets"). By take over bid circular dated August 26, 2013, Zara is offering to acquire Shares of the Targets in consideration of the issuance of Zara common shares as follows:

Target	Offer Price	Consideration Payable
Visible	$0.05 per Visible Share	0.4167 Zara Shares
Greencastle	$0.14 per Greencastle Share	1.667 Zara Shares
Altai	$0.17 per Altai Share	1.4167 Zara Shares

The Offer is conditional on, among other things, there being validly deposited under the Offer and not withdrawn at the expiry time, such number of shares of the respective Targets that constitutes at least 50% plus one share, of the outstanding shares of the respective Targets, excluding in the case of Visible the shares beneficially owned by Zara and its related parties (if any).

(iv)On August 26, 2013 the Company announced they retained the services of a third party corporation to provide information agent and advisory services in connection with the Company's simultaneous offers for 100% of Visible, Greencastle and Altai. The compensation upon closing of the acquisition is an estimated $275,000.

(v)On September 13, 2013, the Bureau de Decision et de Revision (Quebec) ("BDR") issued a cease trade order on the Company's simultaneous bid for Visible, Greencastle and Altai pending correction and translation of all offer documents into French and review by the Autorité des marchés financiers ("AMF").

The Company is currently working on completing French versions of the offer documents at which time there is approval, the offers will be extended and shareholders of all target companies will be notified of the new expiry date.

13. Events after the Reporting Period (continued)

(vi) On November 6, 2013 the Company effected a conversion of $176,416 of its debt into Units , each Unit comprising one common share at $0.06 per share and one warrant exercisable at $0.09 per share, resulting in the issuance of 2,948,416 common shares and 2,948,416 warrants.