ZARA RESOURCES

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE PERIOD FROM OCTOBER 9, 2012 (date of incorporation) TO JULY 31, 2013

(Prepared by Management on November 13, 2013)

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MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) TO ACCOMPANY THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ZARA RESOURCES INC (THE "COMPANY" OR "ZARA") FOR THE TEN MONTH PERIOD ENDED JULY 31, 2013.

The following Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements of the Company for the period from October 9, 2012 (date of incorporation) to July 31, 2013, ("Reporting Period") which were prepared in accordance with International Financial Reporting Standards ("IFRS) and the notes thereto. All financial amounts are stated in Canadian currency unless stated otherwise.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of the Company. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. (See "Risks and Uncertainties" in this MD&A for more information).

DESCRIPTION OF THE BUSINESS

Overview

Zara Resources is a minerals company incorporated October 9, 2012 focusing its main efforts on exploring and developing its 100% owned Pigeon River nickel-copper and Forge Lake gold properties in Ontario. Through its subsidiary Leo Resources Inc ("Leo"), during the Reporting Period, Zara also owned 100% of the Riverbank nickel-copper property in Ontario. Subsequent to the Reporting Period, on August 2,2013, all the shares of Leo were distributed to shareholders of Zara by way of a plan of arrangement (see "Leo Resources Spin Off"). The NI43-101 Technical reports for Pigeon River, Forge Lake, and Riverbank are available under Zara's profile on SEDAR at www.sedar.com, and on the Company's website.

On June 10, 2013, Zara also announced an offer (the "Offer") to purchase the common shares of Visible Gold Mines Inc. (TSXV: VGD) ("Visible") at a price of $0.03375 per Visible share. The offer, which was available to Visible shareholders who are Accredited Investors, was to purchase up to 11,369,767 Visible shares representing up to 19.9% of the issued and outstanding common shares of Visible at a price of $0.03375 per share to be satisfied by the issuance of Zara shares. The Offer remained open until July 25, 2013 at which time it expired.

On August 19, 2013 Zara announced its intention to offer to acquire shares of Visible, Greencastle Resources Ltd. ("Greencastle"), and Altai Resources Inc. ("Altai") (collectively the "Targets"). By an Offer Circular dated August 26, 2013, Zara offered 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 shares beneficially owned by Zara and its directors. On September 13, 2013, the Bureau de Decision et de Revision (Quebec) ("BDR") issued a cease trade order on Zara's simultaneous bid for Visible, Greencastle and Altai pending correction and translation of all offer documents into French and review by staff of the Autorité des marchés financiers ("AMF"). Zara is currently working on correcting and translating the offer documents and, when approval is received, the offers will be extended and shareholders of all target companies will be notified of the new expiry date.

MINERAL PROPERTIES

Pigeon River Nickel-Copper Project

On January 7th, 2013 Zara acquired 100% of the Pigeon River property from Pele Mountain Resources Inc, and claim transfers and share issuances were completed February 8th, 2013. The Pigeon River property is located in the Southern Province of the Precambrian Shield area of northern-western Ontario, and is located approximately 60 km southwest of Thunder Bay, Ontario. The property consists of 28 unpatented mining claims covering approximately 6688 ha. The property is underlain by sediments of the Animikie Group including sulphidic black shale of the Rove Formation that are believed to be host to ultramafic rocks that potentially could host nickel-copper mineralization.

The previous owner of Pigeon River completed an airborne VTEM survey and associated aeromagnetic survey over the property. This was followed by four diamond drill holes totaling 991 m. The work to date indicates that the property is underlain by areas with magnetic signatures indicating the presence of ultramafic rocks. The target model is one of mafic-ultramafic flows with associated nickel bearing magmatic sulphides being hosted by deep water extensional basin sediments. This setting is very similar to other areas of the world hosting world class nickel deposits including the Pechenga area of Russia and the Thompson Nickel Belt of Canada.

On February 19th, 2013 Zara completed an NI43-101 Technical Report ("The Pigeon River Report") on the Pigeon River Property, which was updated on October 8, 2013. The Pigeon River Report was prepared by the Sibley Basin Group and authored by Alan Aubut P.Geo. The Pigeon River Report describes the geology and work done to date on Pigeon River and recommends a further drilling program consisting of diamond drilling along with borehole geophysics with a proposed budget of $170,000. The full Pigeon River NI43-101 Technical Report is available on Zara's profile on SEDAR and on its website www.ZaraResourceslnc.com

Forge Lake Gold Project.

On February 1, 2013, Zara agreed to acquire 100% of the Forge Lake Gold Project located in Ontario from Hudson River Minerals Ltd ("HRM") for the sum of $583,010. The acquisition closed on April 21st, 2013. Zara 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, the right to extend for another 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, Zara agreed to issue HRM 5,715,780 common shares of Zara at a deemed price of $0.10 per common share. In addition, Zara agreed to issue 2% of the $583,010 value to the Licensor or $11,432 payable through the issue of 114,316 common shares and guarantee three years of license and tax payments to the Licensor.

HRM is restricted from transferring or otherwise disposing of the common shares of Zara received as consideration for the assignment of its rights in the Forge Lake Property for a period of 18 months following the closing date. HRM is, however, permitted to distribute the Zara common shares to its shareholders on a pro rata basis, at which time the contractual restriction on transfer would be removed. Additionally, HRM has entered into a voting trust agreement whereby HRM has granted the voting rights attached to its Zara common Shares to Danny Wettreich, CEO of Zara, for a period of 18 months following the closing. In the event the Zara common shares are distributed to HRM's shareholders prior to the expiration of the 18 month period, the voting trust agreement will terminate at the time of such distribution.

Forge Lake is located 32 km northeast of Wawa, Ontario, and 14 km south of the Richmont Gold Mine and Mill. The previous owners of the property conducted a surface sampling program, an airborne magnetic survey and two diamond drill programs. Seventeen holes were drilled in November 2011 and intersected 3.25g/t Au over 12.7m. In April-June 2012 twelve holes were drilled designed to test for continuity of mineralization between the two main areas previously drilled, and intersected 7.07 g/t Au over 5.5 m. The exploration to date indicates that the gold-bearing quartz vein system is continuous and can contain high grade gold intersections, with a strike length of 650 m and a dip extent of 350 m.

On May 22, 2013 Zara completed an NI43-101 Technical Report on the Forge Lake Gold Property, which was updated on October 8, 2013. The Forge Lake NI-43101 Technical Report is available on Zara's profile on SEDAR and on its website at www.ZaraResourceslnc.com

Riverbank Nickel/Copper Project

Zara completed the acquisition of 100% of the Riverbank claims ("Riverbank") from Melkior Resources Inc.in January 2013. A wholly owned subsidiary of Zara, Leo Resources Inc. acquired Riverbank, entered into a Plan of Arrangement to distribute the common shares of Leo to Zara shareholders, and following which Leo listed on the CNSX. Riverbank is located in the Kasabonika-McFauld's Greenstone Belt about 540 km to the north east of Thunder Bay and 350 km north of Geraldton, Ontario. It consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1392 ha. The property is believed to be underlain in part by mafic to ultramafic rocks that potentially could host nickel-copper mineralization. Exploration over the claims to date has consisted primarily of geophysics followed by limited diamond drilling. Melkior completed an airborne VTEM survey and associated aeromagnetic survey by Geotech. This was followed by three diamond drill holes in 2011 totaling 416 m. The work to date has not disproved that the properties are underlain by rocks that include ultramafic bodies. The geophysics done to date still indicates that the target model of mafic-ultramafic associated nickel bearing magmatic sulphides is valid.

The full Riverbank NI43-101 Technical Report is available on Zara's profile on SEDAR and on its website at www.ZaraResourcesInc.com

Leo Resources Spin-Off

On March 20, 2013, Zara announced that its board of directors unanimously approved a proposal to spin-off to its shareholders of 100% of Zara's wholly-owned subsidiary Leo. Following the spin-off, Leo applied for listing of its common shares on the CNSX. The spin-off was transacted by way of a statutory plan of arrangement (the "Leo Plan") under the Business Corporations Act (British Columbia). Upon completion of the Leo Plan, Leo owns 100% of Riverbank. Pursuant to the terms of the Leo Plan, Zara distributed 13,737,500 common shares of Leo to holders of common shares of Zara. Each Zara shareholder received 1 common share in the capital of Leo for every 2 common shares in the capital of Zara. A Special Meeting ("Meeting") of Zara shareholders was held on May 14, 2013 at which shareholders approved the Leo Plan. On August 2, 2013 the spin-off received all necessary court approvals and the plan of arrangement was subsequently completed. Leo listed on the CNSX on August 16, 2013.

INTEREST IN MINERAL PROPERTIES

The acquisitions of the Pigeon River property and the Forge Lake property occurred during the Reporting Period and the full capitalized cost of the properties is reflected in the accompanying financial statements.

RESULTS OF OPERATIONS

Zara is in the development stage and did not have revenues from operations for the Reporting Period or the fourth quarter May 1, 2013 to July 31, 2013. For the ten month period ended July 31, 2013 Zara incurred a comprehensive loss being operating expenses of $554,214 ($0.02 loss per share), mainly comprised of $177,530 legal and professional fees,$196,800 share based compensation, $50,600 market research and $36,000 consulting fees. For the fourth quarter the loss being operating expenses was $341,042 mainly due to $161,359 legal and professional fees, $58,500 share based compensation, $50,600 market research, and $36,000 consulting fees. For the ten month period ended July 31, 2013 Zara used cash in operating activities of $82,434. For the Fourth quarter cash used in operating activities was $45,905. For the ten month period ended July 31, 2013 Zara used cash in investing activities of $9,878. For the Fourth quarter cash used in investing activities was $6,054. For the ten month period ended July 31, 2013 Zara generated cash in financing activities of $300,001 due to private placement of securities. For the fourth quarter cash generated in financing activities was $200,000.

Exploration of its properties will be limited until such time as further equity has been raised by Zara in order to further develop its properties. The NI43-101 Report for Pigeon River recommends further exploration work with a budget of $170,000. The NI43-101 Report for Forge Lake recommends further exploration work with a budget of $1,000,000. The NI43-101 Report for Riverbank recommends further exploration work with a budget of $627,000, however as Riverbank is owned by Leo which after the Reporting Period was no longer a subsidiary of Zara, that budget will not affect future operations of Zara. Market conditions for raising equity are difficult and there is no guarantee that such market conditions will be conducive to raising the additional equity capital required to carry out these exploration budgets. Depending on future events, the rate of expenditures and general and administrative costs could increase or decrease.

Selected Financial Information

The following table provides selected financial information that should be read in conjunction with the audited Financial Statements and Notes of the Company for the applicable period.

Summary of Results **Period from October 9 2012 (date of incorporation) – July 31, 2013**

Interest Income	$0.00
Net Loss	$554,214
Interest in Mineral Properties	$1,650,888
Current Assets	$237,113
Total Assets	$1,888,001
Total Liabilities	$149,609
Shareholders Equity	$1,738,392

Summary of Quarterly Results

Quarter ended	**October 31, 2012**	**January 31, 2013**	**April 30, 2013**	**July 31,2013**
	$	**$**	**$**	**$**
Net loss	0	165,823	47,349	341,042
Loss per share	0	(0.01)	0.00	(0.01)
Expenses	0	165,823	47,349	341,042
Interest in Mineral Properties	0	1,058,540	1,644,844	1,650.888
Working Capital (Deficiency)	100,001	81,938	31,395	87,504
Interest Income	0	0	0	0
Share based compensation	0	138,300	0	58,500

Liquidity and Solvency

The Company will need access to equity capital to pursue its business plan and there is no guarantee that equity may be available, and if available it may not be on terms that Management finds is in the interest of the Company. The Company considers its investments in its mineral properties as long term investments, however it retains the option of disposing of some or all its properties to raise funds. Due to the difficult market conditions in the natural resource business, the Company may have difficulty selling some or all of its properties and any such sale may negatively impact the value of its properties. The Company may also borrow funds from its CEO. In order to maintain its operations the Company needs funds for primarily management fees, legal and accounting. Although management fees have been accrued to date by management and as a result do not represent a cash requirement for the Company, there is no assurance that management fees will continue to be accrued in the future. The Company would need to raise additional equity capital in order to pursue other investment opportunities or to support special projects. The exploration budgets for the Company will require additional equity to be raised in order to fund those exploration budgets, and there is no guarantee that such equity can be raised by the Company.

The following table summarizes the Company's cash on hand, working capital and cash flow as at July 31, 2013

Cash	$207,689
Working Capital	$87,504
Cash Used in Operating Activities	$(82,434)
Cash Provided by Financing Activities	$300,001
Increase in Cash (being cash at the end of the period)	$207,689

The Company is dependent on the sale of newly issued shares to finance its exploration activities, property maintenance payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities. After the Reporting Period under review, the Company completed a private placement of equity to raise $100,000 additional funds for working capital purposes.

Capital Resources

The Company has no operations that generate cash flow. Its long term financial success is dependent on the Company making investments in, exploring, and successfully discovering properties that contain mineral reserves that are economically recoverable. The Company's primary capital assets as at July 31, 2013 are cash and resource properties. The Company has no commitments for capital expenditure, and there are no known trends or expected fluctuations in the Company's capital resources, other than the $100,000 additional private placements of equity that the Company completed subsequent to the period under review. The exploration budgets for the Company will require additional equity to be raised in order to fund those exploration budgets, and there is no guarantee that such equity can be raised by the Company.

The following is a summary of the Company's outstanding share, warrant and stock options data as of November 13, 2013

Common Shares

The authorized common share capital of the issuer consists of an unlimited number of common shares without par value of which 38,334,380 are outstanding as of November 13, 2013. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

Preferred Shares

The Authorized preferred share capital of the Issuer consists of an unlimited number of preferred shares without par value, of which 6,038,333 are issued or outstanding as of November 13, 2013. The preferred shares rank in priority to the common shares upon the liquidation, winding up or other dissolution of the

Company. The issuance of each series of preferred 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. The 455,000 Series A and the 4,750,000 Series B preferred shares are non-voting, and may be converted into common shares at the option of the Company 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. The 833,333 Series C preferred shares are voting and may be converted into common shares on a one for one basis. All Series 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.

Stock Options

Options to purchase common shares in the capital of Zara are granted by the Board of Directors to eligible persons pursuant to Zara's Stock Option Incentive Plan. 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.

During the period ended July 31, 2013, Zara granted 2,850,000 stock options.

At November 13, 2013, 2,850,000 options were outstanding entitling holders to purchase an aggregate 2,850,000 common shares in the capital of Zara. Details of these stock options grants as provided in the following table.

Date	Number	Name of Optionee if Related Person and relationship	Exercise Price	Expiry Date	Market Price on date of Grant
12/28/2012	1,250,000	Daniel Wettreich, Director	$0.10	12/28/2017	$0.10
12/28/2012	400,000	Mark Wettreich, Director	$0.10	12/28/2017	$0.10
12/28/2012	400,000	Scott White, Director	$0.10	12/28/2014	$0.10
12/28/2012	400,000	Peter Wanner, Director	$0.10	12/28/2014	$0.10
06/21/2013	400,000	Sethu Raman, Director	$0.12	06/21/2015	$0.12

Warrants

At November 13, 2013 the Company had 6,785,532 warrants and no brokers warrants outstanding.

The issued and outstanding warrants balance at November 13, 2013 is comprised as follows:

Date of Expiry	Description	Number of Warrants	Exercise Price
May 24, 2016	Warrants	90,909	$ 0.1375
June 21, 2015	Warrants	1,666,666	0.12
July 2, 2016	Warrants	412,875	0.18
August 6, 2016	Warrants	1,666,666	0.18
November 6, 2016	Warrants	2,948,416	0.09
Total		**6,785,532**	

Outlook and Capital Requirements

There is no guarantee that market conditions will be conducive to raising additional equity capital. Depending on future events, the rate of Company expenditures and general and administrative costs could increase or decrease.

Related Parties Transactions

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, in order to improve the liquidity of the Company, 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.

As at July 31, 2013, the Company has incurred management fees of $52,500 to Sammiri Capital Inc which fees are being accrued and have not been paid. As at July 31, 2013, the amount of $59,325 (including HST) was owed thereto and has been included in accounts payable and accrued liabilities.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Proposed Transactions

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed in this MD&A.

Accounting Policies

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. 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 may 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 the valuation of deferred income taxes, impairment testing of exploration and evaluation assets, 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.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax
Current income tax assets and liabilities for the current and prior 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 the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax
Deferred income tax is 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.

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 to the year when the asset is 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 tax relating to items recognized directly in equity is 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.

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.

Foreign Currency Transactions

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each entity is the Canadian dollar. The Company is not exposed to currency risks as it has no foreign currency denominated working capital balances or any other foreign currency activities.

Comprehensive income (loss)

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

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

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

Equity Settled 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 option 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.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

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 shares at the Company’s option.

Financial instruments

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

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

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

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

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

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

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

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

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 shares issued and outstanding during the period. . In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants that are used to purchase common shares at the average market price during the period. For the period ended May 31, 2013, all the outstanding options were anti-dilutive.

Future Accounting Policies

The 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 January 1, 2012. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

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 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 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, amendments and interpretations; however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

Financial Instruments and Risk Management

The Company has designated its cash at fair value through profit and loss. Trade and other payables and advances from related party are designated as other financial liabilities, which are measured at amortized cost

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. As such, the risk of loss 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.

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 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 for the next twelve months, however the additional costs of the takeover bids for Visible, Greencastle and Altai will negatively impact the Company's liquidity and may require additional funds to be raised.

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

The Company has designated its cash at fair value through profit and loss. The HST receivable is classified as loans and receivables whereby it is initially recognized at fair value and then subsequently carried at amortized cost. Trade payables, management fees accrued, and preferred shares dividend accrued 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	$	148,764
Due to a director	$	845

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 mineral properties 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 properties 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 properties 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.

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.

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.

Risks and Uncertainties

The Company's principal activity is mineral exploration and development Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political and economics. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral property contains mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves. There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its properties and may fail to meet its exploration commitments. Mineral exploration involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines. Exploration of the Company's mineral property may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations. The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company is in the process of making a takeover bid for three public companies and the likely costs of these bids, the length of time required to conclude these bids, and the likely outcome of these bids is undetermined.

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in other natural resource exploration and development and consequently the possibility of conflict exists. Any decisions made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare their interest and refrain from voting on any matters in which such directors may have a conflict of interest.

Management's Responsibility for Financial Statements

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited consolidated financial statements.

Other

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.ZaraResources.com and www.sedar.com.

Trends

Trends in the industry can materially affect how well any junior exploration company is performing. Fluctuations in the price of precious metals and natural resources are commonplace. Significant drops in the prices of nickel, copper, and gold could have an adverse effect on Zara's business. The prices of certain specific precious metals and natural resources have undergone a recent retracement, and worldwide exploration is being reduced. Company management believes that prices in natural resources and precious metals will be higher over time.

Outlook

The long term outlook for precious metals and natural resources in the opinion of management continues to be positive and this is reflected in the Company's ongoing activity.

Cautionary Statement

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding the Company's expectation of future trends in the natural resource development sector, its development plans and the Company's other future plans and objectives are forward-looking statements that involve various risks and uncertainties. The material factors and assumptions that management has used to determine such forward-looking statements include, without limitation, (1) estimates of stock-based compensation expense (2) expectations of industry trends (3) expectations of future funding (4) expectation of exploration activities and (5) expectation of successful negotiation with First Nations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mergers and acquisitions activities, mineral property portfolio risk, and operational and political risks.