

**Zara Resources Inc.**

**Unaudited Condensed Interim Financial Statements**

**Three and Six Months ended January 31, 2015 and 2014**

*(Expressed in Canadian Dollars)*

### ***Management's responsibility for financial reporting***

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

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of January 31, 2015 and for the periods presented by the unaudited condensed interim financial statements.

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

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

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

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

*"Daniel Wettreich"*  
Chief Executive Officer

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

**Zara Resources Inc.**

**Condensed Interim Statements of Financial Position  
(Unaudited)**

*(Expressed in Canadian Dollars)*

	<b>As at January 31, 2015</b>	<b>As at July 31, 2014</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 635	\$ 256
HST recoverable	1,893	14,336
Due from related company (Note 10)	3,332	4,657
Prepaid expenses	1,694	1,694
<b>Total current assets</b>	<b>7,554</b>	<b>20,943</b>
Investment in Series A Preferred Shares (Notes 9,10)	100,000	100,000
Exploration and Evaluation Assets (Note 7)	649,556	798,442
<b>Total non-current assets</b>	<b>749,556</b>	<b>898,442</b>
<b>Total assets</b>	<b>\$ 757,110</b>	<b>\$ 919,385</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Notes 10,11)	\$ 40,411	\$ 415,822
Due to related companies (Note 10)	11,866	105,778
<b>Total liabilities</b>	<b>52,277</b>	<b>521,600</b>
<b>Shareholders' Equity</b>		
Convertible Preferred Shares (Note 8)	549,500	549,500
Common Share Capital (Note 8)	1,542,303	1,435,222
Reserve for Share-based Payments (Note 8)	153,000	174,900
Reserve for Warrants (Note 8)	266,500	274,500
Contributed Surplus	51,800	21,900
Deficit	(1,858,270)	(2,058,237)
<b>Total shareholders' equity</b>	<b>704,833</b>	<b>397,785</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 757,110</b>	<b>\$ 919,385</b>

Going concern (Note 2)

/s/ Daniel Wettreich  
\_\_\_\_\_, Director

/s/ Mark Wettreich  
\_\_\_\_\_, Director

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

**Zara Resources Inc.**

**Condensed Interim Statements of Loss and Comprehensive Loss  
(Unaudited)**

(Expressed in Canadian Dollars)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2015	2014	2015	2014
<b>Operating Expenses</b>				
Bank charges and interest	\$ 53	\$ 74	\$ 122	\$ 400
Consulting fees	-	-	-	3,000
Filing and listing fees	1,500	4,560	3,000	16,560
Investor relations and market research	-	1,220	-	2,220
Legal and professional fees	5,200	254,152	6,750	427,280
Office and general expenses	-	4,438	1,324	6,233
Transfer agent fees	608	725	2,811	10,217
Shareholder information	7,164	6,925	7,414	69,492
Impairment of exploration and evaluation assets <i>(Note 7)</i>	155,339	501,439	155,339	501,439
	<b>169,864</b>	<b>773,533</b>	<b>176,760</b>	<b>1,036,841</b>
<b>Other expense (income)</b>				
Interest on convertible debentures <i>(Note 8)</i>	51,595	-	51,595	-
Gain on settlement of debt <i>(Note 8)</i>	(428,322)	-	(428,322)	-
	<b>(376,727)</b>	<b>-</b>	<b>(376,727)</b>	<b>-</b>
<b>Net Income (loss) and comprehensive income (loss)</b>				
<b>for the period</b>	<b>\$ 206,863</b>	<b>\$ (773,533)</b>	<b>\$ 199,967</b>	<b>\$ (1,036,841)</b>
<b>Loss per share - Basic and diluted</b>				
	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares</b>				
Basic and diluted	<b>39,705,415</b>	<b>36,764,028</b>	<b>38,585,001</b>	<b>36,764,028</b>

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**Zara Resources Inc.**  
**Condensed Interim Statements of Changes in Equity**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Common Share Capital		Units	Convertible Preferred Share Capital		Reserves		Contributed Surplus	Deficit	Total Equity
	Number of Shares	Amount		Number of Shares	Amount	Share-Based Compensation	Warrants			
<b>Balance at July 31, 2013</b>	<b>35,385,964</b>	<b>\$ 1,319,306</b>	<b>\$ 100,000</b>	<b>5,205,000</b>	<b>\$ 520,500</b>	<b>\$ 196,800</b>	<b>\$ 156,000</b>	<b>\$ -</b>	<b>\$ (554,214)</b>	<b>\$1,738,392</b>
Units consisting of Convertible Series C preferred shares and warrants issued for cash (Note 8)	-	-	(100,000)	833,333	33,333	-	66,667	-	-	-
Distribution in kind (Note 8)	-	-	-	-	-	-	-	-	(358,000)	(358,000)
Effects of loss in control (Note 14)	-	-	-	-	-	-	-	-	7,711	7,711
Shares issued on debt settlement (Note 8)	2,948,416	176,416	-	-	-	-	-	-	-	176,416
Valuation of warrants issued on debt settlement (Note 8)	-	(60,500)	-	-	-	-	60,500	-	-	-
Loss for the period	-	-	-	-	-	-	-	-	(1,036,841)	(1,036,841)
<b>Balance at January 31, 2014</b>	<b>38,334,380</b>	<b>\$ 1,435,222</b>	<b>\$ -</b>	<b>6,038,333</b>	<b>\$ 553,833</b>	<b>\$ 196,800</b>	<b>\$ 283,167</b>	<b>\$ -</b>	<b>\$ (1,941,344)</b>	<b>\$ 527,678</b>
<b>Balance at July 31, 2014</b>	<b>38,334,380</b>	<b>\$ 1,435,222</b>	<b>\$ -</b>	<b>6,038,333</b>	<b>\$ 549,500</b>	<b>\$ 174,900</b>	<b>\$ 274,500</b>	<b>\$ 21,900</b>	<b>\$ (2,058,237)</b>	<b>\$ 397,785</b>
Cancellation of shares	(5,715,780)	-	-	-	-	-	-	-	-	-
Warrants expired	-	-	-	-	-	-	(8,000)	8,000	-	-
Options expired	-	-	-	-	-	(21,900)	-	21,900	-	-
Shares issued for the settlement of debt	9,676,160	96,762	-	-	-	-	-	-	-	96,762
Shares issued for the settlement of interest on series B convertible preferred shares	940,900	9,409	-	-	-	-	-	-	-	9,409
Shares issued for the settlement of interest on series A convertible preferred shares	91,000	910	-	-	-	-	-	-	-	910
Income for the period	-	-	-	-	-	-	-	-	199,967	199,967
<b>Balance at January 31, 2015</b>	<b>43,326,660</b>	<b>\$ 1,542,303</b>	<b>\$ -</b>	<b>6,038,333</b>	<b>\$ 549,500</b>	<b>\$ 153,000</b>	<b>\$ 266,500</b>	<b>\$ 51,800</b>	<b>\$ (1,858,270)</b>	<b>\$ 704,833</b>

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

**Zara Resources Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Unaudited)  
(Expressed in Canadian Dollars)

<b>Six Months Ended January 31,</b>	<b>2015</b>	<b>2014</b>
<b>Operating Activities</b>		
Income (Loss) for the period	\$ 199,967	\$ (1,036,841)
<b>Non-cash items included in comprehensive loss:</b>		
Impairment of exploration and evaluation asset <i>(Note 7)</i>	155,339	501,439
Settlement of expenses with non-cash common share consideration <i>(Note 8)</i>	51,595	176,416
Gain on settlement of debt	(428,322)	-
Effects of loss in control	-	7,711
	<u>(21,421)</u>	<u>(351,275)</u>
<b>Changes in non-cash working capital:</b>		
HST recoverable	12,443	(22,019)
Prepaid expenses	-	(2,055)
Accounts payables and accrued liabilities	7,618	261,333
<i>Cash from (Used in) Operating Activities</i>	<u>(1,360)</u>	<u>(114,016)</u>
<b>Financing Activities</b>		
Due to director	-	(845)
Cash share issue costs in connection with financing	-	(10,299)
Due from related company	1,325	-
Due to related companies	6,867	24,185
<i>Cash from Financing Activities</i>	<u>8,192</u>	<u>13,041</u>
<b>Investing Activities</b>		
Investment in Series A Preferred Shares <i>(Note 8)</i>	-	(100,000)
Additions to exploration and evaluation assets <i>(Note 7)</i>	(6,453)	(6,453)
<i>Cash Used in Investing Activities</i>	<u>(6,453)</u>	<u>(106,453)</u>
<b>Increase in cash during the period</b>	<b>379</b>	<b>(207,428)</b>
<b>Cash – beginning of period</b>	<b>256</b>	<b>207,689</b>
<b>cash – end of period</b>	<u><b>\$ 635</b></u>	<u><b>\$ 261</b></u>

*The Accompanying notes are an integral part of these unaudited condensed interim financial statements*

**Zara Resources Inc.**  
**Notes to Condensed Interim Financial Statements**  
**For the Three and Six Months ended January 31, 2015 and 2014**  
**(Unaudited)**  
**(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 and exploration of mining properties in Canada. At the year end, Zara is 35.1% owned by GreenBank Capital Inc. and 23.4% owned by Winston Resources Inc., both Canadian public companies. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "ZRI". The head office of the Company is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario M5J 2Y5, Canada.

**2. Going Concern Assumption**

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards ("IFRS"). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. The Company has recently acquired its first exploration and evaluation assets ("E&E"), as such active exploration has not commenced. It is unknown whether the E&E contain reserves that are economically recoverable. As a newly incorporated Company, that is commencing active operations; it incurs operating losses, which casts significant 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&E 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&E, and making the required payments pursuant to E&E 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 if E&E are proven successful and bring to commercial production its E&E. 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.

As at January 31, 2015, the Company has yet to generate revenues from operations and had a deficit of \$1,858,270 (July 31, 2014 - \$2,058,237). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. These adjustments could be material.



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**Notes to Condensed Interim Financial Statements**  
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**3. Statement of Compliance and Basis of Presentation**

**(a) Statement of Compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB and interpretations issued by the IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of March 27, 2015, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended July 31, 2014, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending July 31, 2015 could result in restatement of these unaudited condensed interim financial statements.

**(b) Basis of Presentation**

These unaudited condensed interim 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 except for cash flow information.

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

**4. Significant Accounting Policies**

**(a) Change in Accounting Policies**

(i) IAS 32 - Financial Instruments, Presentation ("IAS 32") was amended to clarify that the right of offset must be available on the current date and cannot be contingent on a future date. At August 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

(ii) IFRIC 21 - 'Levies' ("IFRIC 21") is effective for the Company beginning on January 1, 2014. The interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, as well as addressing what the obligating event is that gives rise to pay a levy and when should a liability be recognized. At August 1, 2014, the Company adopted IFRIC 21 and there was no material impact on the Company's unaudited condensed interim financial statements.

(iii) IFRS 2 - Share-based Payment ("IFRS 2"). The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Company adopted the amendments and there was no material impact on the Company's unaudited condensed interim financial statements.

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

**(a) Change in Accounting Policies (continued)**

(iv) IFRS 13 - Fair Value Measurement ("IFRS 13") is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. At August 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

(v) IAS 24 - Related Party Disclosures ("IAS 24"). The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. At August 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

(vi) IAS 36 - Impairment of Assets ("IAS 36") was amended to address the disclosure required for the recoverable amount of impaired assets or cash generating unit for periods in which an impairment loss has been recognized or reversed. At August 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

**(b) New accounting standards and interpretations**

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In July 2014, the IASB issued the final version of IFRS 9. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 will be effective January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of this pronouncement.

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**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 investment 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 assets 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 well as the amount due from related company, as described in note 10, and is expected to be recoverable. 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 January 31, 2015, the Company had cash of \$635. Currently, the Company does not have sufficient funds and will need to raise financing to carry out an exploration and evaluation program, fund the property purchase obligations, and meet general and administration expenses for the next twelve months.

***Commodity Risk***

The value of the Company's exploration and evaluation assets are related to the price of gold and other mineral commodities, and the outlook for these mineral commodities. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration.

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**5. Financial Risk Management (Continued)**

The Company has designated its cash at fair value through profit and loss. The HST recoverable is classified as loans and receivables whereby they are initially recognized at fair value and then subsequently carried at amortized cost. Accounts payables and accrued liabilities and due to related companies 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:

	As at January 31, 2015	As at July 31, 2014
<u>Financial Assets</u>		
<i>Fair value through profit and loss</i>		
Cash	\$ 635	\$ 256
<i>Loans and receivables</i>		
HST recoverable	1,893	14,336
Due from related company	3,332	4,657
<i>Available for sale assets</i>		
Investment in preferred shares	100,000	100,000
<u>Financial Liabilities</u>		
<i>Other financial liabilities</i>		
Accounts payable and accrued liabilities	40,411	415,822
Due to related companies	11,866	105,778

**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 and exploration of E&E 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&E, 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&E 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.

The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended January 31, 2015. The Company is not subject to any capital requirements imposed by a lending institution.

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**7. Exploration and Evaluation Assets**

Ontario Properties	Percent Interest	Balance at July 31, 2014	Exploration Expenditures	Impairment	Disposal (Note 9)	Balance at January 31, 2015
Pigeon River	100%	\$ 201,501	\$ -	\$ (155,339)	\$ -	\$ 46,162
Forge Lake	100%	596,941	6,453	-	-	603,394
		\$ 798,442	\$ 6,453	\$ (155,339)	\$ -	\$ 649,556

Ontario Properties	Percent Interest	Balance at July 31, 2013	Exploration Expenditures	Impairment	Disposal (Note 9)	Balance at July 31, 2014
Riverbank and Broke Back	100%	\$ 358,000	\$ -	\$ -	\$ (358,000)	\$ -
Pigeon River	100%	702,400	540	(501,439)	-	201,501
Forge Lake	100%	590,488	6,453	-	-	596,941
		\$ 1,650,888	\$ 6,993	\$ (501,439)	\$ (358,000)	\$ 798,442

**Riverbank**

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

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

In consideration for the assignment of the Agreement, The Company 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.

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**7. Exploration and Evaluation Assets (Continued)**

**Riverbank**

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 in the period ended July 31, 2013.

On August 2, 2013, the Company completed its 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 for the amount of \$358,000. (Note 9)

**Pigeon River**

On January 7, 2013, the Company acquired 100% of 28 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 ended July 31, 2013.

During the year ended July 31, 2014, management made the decision to abandon 20 of the Pigeon River claims. As a result, the Company recognized an impairment of the exploration and evaluation assets of \$501,439.

During the three and six months ended January 31, 2015, the Company allowed seven out of eight claims to lapse. As a result, the Company recognized an impairment of \$155,339 on the exploration and evaluation assets.

**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

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**7. Exploration and Evaluation Assets (Continued)**

**Forge Lake** (continued)

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 ended July 31, 2013 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, with no par value
- (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. At January 31, 2015, no dividend amounts have been declared.

**(b) Private placement**

On August 1, 2013, the Company completed a private placement of 833,333 Units in the capital of the Company 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 the Company 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 the Company at \$0.18 per share. The \$100,000 face value was allocated to the warrants in the amount of \$66,667 and to the Series C Preferred Shares in the amount of \$33,333. Fair value for the warrants as estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, volatility of 109%, risk free rate of 1.31%, and an executed life of 3 years yielded a value greater than the \$100,000 face value. It was then determined by management that an allocation of 2/3 to the warrants and 1/3 to the Series C Preferred shares would be reasonable. In connection with the private placement, the Company incurred \$13,000 of finder's fees (\$3,000 cash to an arm's length party and \$10,000 to a director which is to be settled in common shares as detailed in Note 10. The proceeds of the private placement will be used for general corporate purposes.

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**8. Share Capital (continued)**

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

On November 6, 2013, the Company effected a conversion of \$176,416 of trade debt into units of the Company, each unit comprising of one common share at \$0.06 per share and one warrant exercisable at \$0.09 per share and expiring November 6, 2016. The debt conversion resulted in the issuance of 2,948,416 common shares and 2,948,416 warrants. The debt was related to legal costs payable to an arm's length legal firm. The fair value of the warrants was \$60,500 and was estimated using the Black-Scholes pricing model based on the following assumptions: share price of \$0.04, dividend yield rate of 0%, volatility of 109%, risk free rate of 1.24%, and an executed life of 3 years. No commission was payable in relation to this debt conversion.

On November 27, 2014, the Company issued 9,676,160 common shares with a fair value of \$96,762 pursuant to four debt settlement agreements; one of them is a related party. Pursuant to the agreements the Company settled a total of \$483,808, resulting in a gain on settlement of debt of \$387,046 which has been included in the statement of loss and comprehensive loss.

On January 7, 2015, the Company issued 940,900 common shares with a fair value of \$9,409 in order to settle accumulated interest on the Series B Convertible Preferred shares. (See Note 7) The accumulated interest as of January 31, 2015 amounted to \$47,045, resulting in a gain on settlement of debt of \$37,636 which has been included in the statement of loss and comprehensive loss.

On January 26, 2015, the Company issued 91,000 common shares with a fair value of \$910 in order to settle accumulated interest on the Series A Convertible Preferred shares. (See Note 7) The accumulated interest as of January 31, 2015 amounted to \$4,550, resulting in a gain on settlement of debt of \$3,640 which has been included in the statement of loss and comprehensive loss.

**(d) Warrants**

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

	Fair Value	Number of Warrants
<b>Outstanding, July 31, 2013</b>	\$ 156,000	2,370,450
Issued	127,167	4,615,082
Issuance cost	(8,667)	-
<b>Outstanding, July 31, 2014</b>	<b>274,500</b>	<b>6,985,532</b>
Expired	(8,000)	(200,000)
<b>Exercisable, January 31, 2015</b>	<b>\$ 266,500</b>	<b>6,785,532</b>

The issued and outstanding warrants balance at January 31, 2015 is comprised as follows:

Date of Expiry	Description	Fair Value	Number of Warrants	Exercise Price
June 21, 2015	Warrants	113,000	1,666,666	\$ 0.12
May 24, 2016	Warrants	6,000	90,909	\$ 0.1375
July 2, 2016	Warrants	29,000	412,875	\$ 0.18
August 1, 2016	Warrants	58,000	1,666,666	\$ 0.18
November 6, 2016	Warrants	60,500	2,948,416	\$ 0.09
		<b>\$ 266,500</b>	<b>6,785,532</b>	



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**(e) 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
<b>Outstanding, July 31, 2013</b>	<b>\$ 196,800</b>	<b>2,850,000</b>	<b>\$ 0.103</b>
Cancelled	(21,900)	(400,000)	(0.10)
<b>Outstanding, July 31, 2014</b>	<b>174,900</b>	<b>2,450,000</b>	<b>0.103</b>
Expired	(21,900)	(400,000)	(0.10)
<b>Exercisable, January 31, 2015</b>	<b>\$ 153,000</b>	<b>2,050,000</b>	<b>\$ 0.103</b>

The following table sets out the details of the stock options granted and outstanding as at January 31, 2015:

Number of stock options	Remaining contractual life	Exercise price per share	Expiry Date
1,650,000	2.91 years	\$ 0.10	December 28, 2017
400,000	0.39 years	0.12	June 21, 2015
2,050,000	2.42 years	\$ 0.104	

**(f) Share-Based Compensation**

The fair value of the stock options granted and fully vested for the three and six months ended January 31, 2015 was \$nil (three and six months ended January 31, 2014 - \$nil). At January 31, 2015, there were 2,050,000 vested options.

**(g) Distributions in Kind**

In August 2013, pursuant to a plan of arrangement with Leo as detailed in Note 9, the Company declared a distribution to its shareholders of record 13,737,500 common shares of Leo at a value of \$358,000. The distribution was on a pro rata basis whereby one share of Leo was issued for every two share of the Company held.

**(h) Contributed Surplus**

Contributed surplus includes the accumulated fair value of share-based compensation and warrants transferred from share-based payment reserve and warrant reserve upon cancellation or expiry of the stock options and warrants. During the three and six months ended January 31, 2015, 400,000 options granted in the previous years were expired (three and six months ended January 31, 2014 – nil) and its fair value of \$21,900 was transferred to contributed surplus.

During the three and six months ended January 31, 2015, 200,000 (three and six months ended January 31, 2014 – nil) warrants expired unexercised and its fair value of \$8,000 was transferred to contributed surplus.

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**8. Share Capital (continued)**

**(i) Cancellation of common shares**

On October 17, 2014, the Company cancelled 5,715,780 common shares based on the Mining Claim Assignment Agreement dated April 16, 2013 between the Company and Hudson River Minerals Ltd (“Hudson”) due to Hudson failing to distribute the 5,715,780 Company common shares to Hudson shareholders within the required time frame.

**(j) Basic and Diluted Loss per Share**

The calculation of basic and diluted loss per share for the three and six months period ended January 31, 2015 was based on the income attributable to common shareholders of \$206,863 and 199,967, respectively (three and six months ended January 31, 2014 – loss of \$773,533 and \$1,036,841, respectively) and the weighted average number of common shares outstanding of 39,705,415 and 38,585,001, respectively (three and six months ended January 31, 2014 – 36,764,028). Diluted loss per share did not include the effect of 2,050,000 options and 6,785,532 warrants (2014 – 2,450,000 options and 6,985,532 warrants) as they are anti-dilutive.

**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 CSE 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 were subject to a pre-existing 2% NSR payable to Melkior Resources Inc. (TSXV: “MKR”).

In consideration, Leo issued 13,737,500 common shares of Leo to the Company. In addition, as part of the Agreement, Leo issued 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 applied for listing its common shares on the CSE.

The spin-off was 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 distributed 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 received one common share in the capital of Leo for every two common shares in the capital of the Company.

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**9. Plans of Arrangement (continued)**

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 was subject to numerous conditions including court approval, and completion of all regulatory filings. The continuance was to facilitate the spin off under the Business Corporations Act of British Columbia.

During the year ended July 31, 2014, 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 CSE on August 16, 2013.

**10. Related Party Transactions and Remuneration**

Related party transactions were in the normal course of operations.

The due to related companies at January 31, 2015 of \$11,866 (July 31, 2014 - \$105,778) is comprised of due to a private company controlled by a director in the amount of \$500 (July 31, 2014 - \$100,778), due to Leo in the amount of \$7,500 (July 31, 2014 - \$5,000) and due to a director in the amount of \$3,866 (July 31, 2014 - \$nil). The due from related company at January 31, 2015 consists of due from Winston Resources Inc. in the amount of \$3,332 (July 31, 2014 - \$4,657). All amounts are interest-free with no fixed terms of repayment.

On November 27, 2014, the Company issued 3,202,080 common shares to settle a debt of \$160,104 that was due to Sammiri Capital Inc. ("Sammiri") a private company owned by Daniel Wettreich a director and CEO of the Company. As of January 31, 2015, including the shares held by Sammiri, Daniel Wettreich holds, directly and indirectly, an aggregate of 26,854,182 common shares of the Company, representing approximately 62% of the Company's issued and outstanding common shares.

On November 27, 2014, the Company issued 1,130,000 common shares to settle a debt of \$56,500 that was due to Vista Gold Resources Inc, ("Vista") a private company owned by Sethu Raman, a director of the Company. As of January 31, 2015, including the shares held by Vista, Sethu Raman holds, directly and indirectly, an aggregate of 1,963,333 common shares of the Company, representing approximately 4.64% of the Company's issued and outstanding common shares.

As part of the plan of arrangement with the Leo, the Company subscribed to \$100,000 Series A preferred shares of Leo during the year ended July 31, 2014. The investment in Series A preferred shares as at January 31, 2015 is \$100,000 (July 31, 2014 - \$100,000).

**Key Management Compensation**

The Company has incurred management fees of \$nil for the three and six months ended January 31, 2015 (three and six months ended January 31, 2014 - \$nil) to a private company controlled by an officer for the provision of management services. At January 31, 2015, the amount of \$59,325 (2014 - \$59,325) related thereto has been included in accounts payables and accrued liabilities.

During the three and six months ended January 31, 2015, the Company has incurred fees of \$nil (three and six months ended January 31, 2014 - \$nil) to a private company controlled by a former director for the provision of consulting and finder's fees. At January 31, 2015, the amount of \$50,000 (July 31, 2014 - \$50,000) related thereto has been included in accounts payables and accrued liabilities.

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**11. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchase relating to exploration activities and administrative activities.

	January 31, 2015	July 31, 2014
Accounts payable	\$ 26,911	\$ 405,822
Accrued liabilities	13,500	10,000
	<b>\$ 40,411</b>	<b>\$ 415,822</b>

**12. Supplemental Cash Flow Information**

Non-cash transactions not reflected in the Statements of Cash Flows for the six months ended January 31, 2015 and 2014 are as follows:

	January 31, 2015	January 31, 2014
Shares issued to settle due to related companies (Note 10)	216,604	-
Shares issued to settle accounts payable and accrued liabilities	267,204	-

**13. Contingency**

On November 26, 2014, the Company became aware of a claim by a law firm for legal expenses. The Company is of the opinion that if a formal claim is made, such a claim would be frivolous and completely without merit and has commenced investigation into the matter. As such, a contingent liability has not been set up on the financial statements as the outcome is not determinable.

**14. Effects of Loss of Control**

Pursuant to plans of arrangement as detailed in note 9, the Company no longer consolidates its investment in Leo effective August 2, 2013. As a result, the Company recorded an adjustment to the opening deficit in the amount of \$7,711.

**15. Segmented Information**

The Company's operations are comprised of a single reporting operating segment engaged in the exploration and evaluation of mineral resources. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent a single reporting segment. As at January 31, 2015, all of the Company's exploration and evaluation assets and liabilities are situated in Canada.