

**ZARA RESOURCES INC.**  
**Restated Condensed Interim Financial Statements**  
**Three and Nine Months Ended**  
**April 30, 2015**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

## **NOTICE OF NO AUDITOR REVIEW OF RESTATED 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 restated 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the Company's auditor.

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**Zara Resources Inc.****Restated Condensed Interim Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

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	As at April 30, 2015	As at July 31, 2014
	(Restated - Note 16)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 627	\$ 256
HST Recoverable	1,477	14,336
Prepaid expenses	3,916	1,694
Due from related company (note 11)	9,000	4,657
<b>Total current assets</b>	<b>15,020</b>	<b>20,943</b>
<b>Non-current assets</b>		
Investment in Series A Preferred Shares (note 16)	-	100,000
Exploration and evaluation assets (note 7)	638,015	798,442
<b>Total non-current assets</b>	<b>638,015</b>	<b>898,442</b>
<b>Total assets</b>	<b>\$ 653,035</b>	<b>\$ 919,385</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities (note 10)	\$ 50,288	\$ 415,822
Due to officer (note 11)	3,866	105,778
Due to related company (note 11)	9,926	-
<b>Total current liabilities</b>	<b>64,080</b>	<b>521,600</b>
<b>Shareholders' Equity</b>		
Common share capital (note 8(a))	1,542,303	1,435,222
Preferred share capital (note 8(a))	549,500	549,500
Reserve for warrants (note 8(d))	266,500	174,900
Reserve for share-based payments (note 8(e))	153,000	274,500
Contributed surplus	51,800	21,900
Deficit	(1,974,148)	(2,058,237)
<b>Total shareholders' equity</b>	<b>588,955</b>	<b>397,785</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 653,035</b>	<b>\$ 919,385</b>

Nature of operations (note 1)

Going concern (note 2 )

Approved on behalf of the Board of Directors:

"Daniel Wettreich" (signed) Director

**Daniel Wettreich, Director**

"Mark Wettreich" (signed) Director

**Mark Wettreich, Director**

The notes to the unaudited restated condensed interim financial statements are an integral part of these statements.

## Zara Resources Inc.

Restated Condensed Interim Statements of Loss and Comprehensive Income  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2015	2014	2015	2014
	(Restated - Note 16)		(Restated - Note 16)	
<b>Operating Expenses</b>				
Bank charges	\$ 81	\$ 39	\$ 203	\$ 439
Consulting fees	-	37,000	-	40,000
Filing and listing fees	2,000	1,500	5,000	18,060
Legal and professional fees	3,500	2,250	10,250	429,530
Investor relations and market research	-	-	-	2,220
Office and general expenses	1,100	5,289	2,426	11,522
Transfer agent fees	-	4,403	2,809	14,621
Share holder information	(892)	26,319	6,522	95,811
Write-off of exploration and evaluation assets	-	-	155,339	501,439
Impairment of investment in Series A preferred shares	100,000	-	100,000	-
	<b>105,789</b>	<b>76,800</b>	<b>282,549</b>	<b>1,113,642</b>
<b>Other expense (income)</b>				
Loss on disposition of exploration and evaluation assets	2,541	-	2,541	-
Interest on convertible debentures	7,548	-	59,143	-
Gain on settlement of debt	-	-	(428,322)	-
<b>Net loss (income) and comprehensive loss (income)</b>	<b>\$ 115,878</b>	<b>\$ 76,800</b>	<b>\$ (84,089)</b>	<b>\$ 1,113,642</b>
<b>Basic and diluted loss (income) per share (note 8(j))</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ 0.03</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>43,326,660</b>	<b>37,275,974</b>	<b>40,130,817</b>	<b>37,275,974</b>

The notes to the unaudited restated condensed interim financial statements are an integral part of these statements.

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

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Nine Months Ended April 30,	2015	2014
	(Restated - Note 16)	
<b>Operating activities</b>		
Income (loss) for the period	\$ 84,089	\$ (1,113,642)
Adjustment for:		
Impairment of exploration and evaluation asset	155,339	-
Impairment of investment in Series A preferred shares (note 16)	100,000	-
Loss on disposition of exploration and evaluation assets	2,541	-
Gain on settlement of debt	(428,322)	501,439
Settlement of expenses with non-cash common share consideration	51,595	176,416
Effects of loss in control	-	7,711
HST recoverable	12,859	(26,142)
Prepaid expenses	(2,222)	(4,200)
Amounts payable and other liabilities	16,362	334,328
<b>Net cash used in operating activities</b>	<b>(7,759)</b>	<b>(124,090)</b>
<b>Investing activities</b>		
Investment in Series A Preferred Shares	-	(100,000)
Additions to exploration and evaluation assets (note 7)	(6,453)	(6,453)
<b>Net cash used in investing activities</b>	<b>(6,453)</b>	<b>(106,453)</b>
<b>Financing activities</b>		
Due from former parent company	-	(629)
Due from related companies	14,583	27,355
Due to director	-	(845)
Share issue costs	-	(3,000)
<b>Net cash provided by financing activities</b>	<b>14,583</b>	<b>22,881</b>
<b>Net change in cash</b>	<b>371</b>	<b>(207,662)</b>
<b>Cash, beginning of period</b>	<b>256</b>	<b>207,689</b>
<b>Cash, end of period</b>	<b>\$ 627</b>	<b>\$ 27</b>

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# Zara Resources Inc.

## Restated Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	<u>Common Share Capital</u>		Units	<u>Convertible Preferred Share Capital</u>		<u>Reserves</u>		Contributed Surplus	Deficit	Total Equity
	Number of Shares	Amount		Number of Shares	Amount	Share-Based Compensation	Warrants			
<b>Balance, 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 (note8(b))	-	-	(100,000)	833,333	33,333	-	66,667	-	-	-
Share issue costs	-	-	-	-	(4,333)	-	(8,667)	-	-	(13,000)
Distribution in kind	-	-	-	-	-	-	-	-	(358,000)	(358,000)
Effects of loss in control	-	-	-	-	-	-	-	-	7,711	7,711
Shares issued on debt settlement	2,948,416	176,416	-	-	-	-	-	1,113,642	-	1,290,058
Valuation of warrants issued on debt settlement	-	(60,500)	-	-	-	-	60,500	-	-	-
Loss for the period	-	-	-	-	-	-	-	-	(1,113,642)	(1,113,642)
<b>Balance, April 30, 2014</b>	<b>38,334,380</b>	<b>\$ 1,435,222</b>	<b>\$ -</b>	<b>6,038,333</b>	<b>\$ 549,500</b>	<b>\$ 196,800</b>	<b>\$ 274,500</b>	<b>\$ 1,113,642</b>	<b>\$ (2,018,145)</b>	<b>\$ 1,551,519</b>
<b>Balance, 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
Net loss for the period (note 16)	-	-	-	-	-	-	-	-	84,089	84,089
<b>Balance, April 30, 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>\$ (1,974,148)</b>	<b>\$ 588,955</b>

The notes to the unaudited restated condensed interim financial statements are an integral part of these statements.

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# Zara Resources Inc.

## Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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### 1. 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 restated 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 April 30, 2015, the Company has yet to generate revenues from operations and had a deficit of \$1,974,148 (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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## **Zara Resources Inc.**

### **Notes to Restated Condensed Interim Financial Statements**

**Three and Nine Months Ended April 30, 2015**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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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"). These unaudited restated 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.

The policies applied in these unaudited restated condensed interim financial statements are based on IFRSs issued and outstanding as of November 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) Changes 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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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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

##### (a) Changes 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

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

IFRS 9 – Financial Instruments ("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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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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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 investments activities. The Company's management, with the Board of Directors oversight, 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 April 30, 2015, the Company had cash of \$627. 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.

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:

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## Zara Resources Inc.

Notes to Restated Condensed Interim Financial Statements  
Three and Nine Months Ended April 30, 2015  
(Expressed in Canadian Dollars)  
(Unaudited)

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### 5. Financial Risk Management (continued)

#### *Financial Risks (continued)*

	As at April 30, 2015	As at July 31, 2014
<b>Financial Assets</b>		
<i>Fair value through profit or loss</i>		
Cash	\$ 627	\$ 256
<i>Loans and receivables</i>		
HST Recoverable	1,477	14,336
Due from related company	9,000	4,657
<b>Financial Liabilities</b>		
<i>Other financial liabilities</i>		
Amounts payable and other liabilities	\$ 50,288	\$ 415,822
Due to related company	9,926	-
Due to officer	3,866	105,778

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### 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 nine months ended April 30, 2015. The Company is not subject to any capital requirements imposed by a lending institution.

## Zara Resources Inc.

Notes to Restated Condensed Interim Financial Statements  
Three and Nine Months Ended April 30, 2015  
(Expressed in Canadian Dollars)  
(Unaudited)

### 7. Exploration and evaluation assets

	<u>Ontario Properties (100% Owned)</u>			
	<u>Riverbank and Broke Back</u>	<u>Pigeon River</u>	<u>Forge Lake</u>	<u>Total</u>
<b>Balance, July 31, 2013</b>	<b>\$ 358,000</b>	<b>\$ 702,400</b>	<b>\$ 590,488</b>	<b>\$1,650,888</b>
Changes during the period:				
Exploration expenditures	-	540	6,453	6,993
Disposal/Write-off	(358,000)	(501,439)	-	(859,439)
<b>Balance, July 31, 2014</b>	<b>\$ -</b>	<b>\$ 201,501</b>	<b>\$ 596,941</b>	<b>\$ 798,442</b>
Change during the period:				
Exploration expenditures	-	-	6,453	6,453
Impairment	-	(155,339)	-	(155,339)
Disposal/Write-off	-	(11,541)	-	(11,541)
<b>Balance, April 30, 2015</b>	<b>\$ -</b>	<b>\$ 34,621</b>	<b>\$ 603,394</b>	<b>\$ 638,015</b>

#### 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.

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.

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## **Zara Resources Inc.**

### **Notes to Restated Condensed Interim Financial Statements**

**Three and Nine Months Ended April 30, 2015**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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#### **7. Exploration and evaluation assets (continued)**

##### **Riverbank (continued)**

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 nine months ended April 30, 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.

On April 10, 2015, the Company sold a 25% interest in its Pigeon River mining claim to Hadley Mining Inc for the sum of \$9,000.

##### **Forge Lake**

On April 16, 2013, the Company completed the acquisition of 100% of the Forge Lake Gold Project located in Ontario from Hudson River Minerals Ltd ("HRM") for the sum of \$583,010. The Company acquired the property by the purchase of all the rights, title and interest to that certain Mineral Exploration Agreement dated November 1, 2011 ("the License") between HRM and 3011650 Nova Scotia Ltd. ("Licensor"). The License is subject to an original 5 years with an extension for a further 5 years and the right to convert from a license into a lease with rights to enter commercial production. If the property goes into production, there is a 3.0% royalty, of which the first 1% can be purchased for \$1 Million and the second 1% can be re-purchased for \$1 Million for each 0.5%. As consideration, the Company issued HRM 5,715,780 common shares of the Company at a fair value of \$0.10 per common share. The consideration is subject to an agreement whereby HRM distributes the shares to its shareholders within 18 months and until such time when the distribution takes place the shares cannot be sold and voting rights are to be exercised by Danny Wettreich, the CEO of Zara, under a voting rights agreement.

In addition, the Company issued 2% of the \$583,010 value to the Licensor or \$11,432 payable through the issue of 114,316 common shares during the period ended July 31, 2013 and guaranteed three years of license and tax payments to the Licensor. As these shares were not distributed within the required time, they were cancelled.

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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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#### 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 April 30, 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 11. The proceeds of the private placement will be used for general corporate purposes.

##### (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.

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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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#### 8. Share Capital (continued)

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

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 \$4,705 in order to settle accumulated interest on the Series B Convertible Preferred shares. (See note 7) The accumulated interest at the time of the issue amounted to \$47,045, resulting in a gain on settlement of debt of \$42,340 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 \$454 in order to settle accumulated interest on the Series A Convertible Preferred shares. (See note 7) The accumulated interest at the time of issue amounted to \$4,550, resulting in a gain on settlement of debt of \$4,096 which has been included in the statement of loss and comprehensive loss.

##### (d) Warrants

The issued and outstanding warrants balance at April 30, 2015 is comprised as follows:

	Fair Value	Number of warrants
<b>Balance, July 31, 2013</b>	<b>\$ 156,000</b>	<b>2,370,450</b>
Issued	127,167	4,615,082
Issuance cost	(8,667)	-
<b>Balance, July 31, 2014</b>	<b>274,500</b>	<b>6,985,532</b>
Expired	(8,000)	(200,000)
<b>Balance, April 30, 2015</b>	<b>\$ 266,500</b>	<b>6,785,532</b>

The issued and outstanding warrants balance at April 30, 2015 is comprised as follows:

Expiry Date	Fair value	Exercise price	Number of warrants
June 21, 2015	\$ 113,000	\$0.12	1,666,666
May 24, 2016	6,000	\$0.14	90,909
July 2, 2016	29,000	\$0.18	412,875
August 1, 2016	58,000	\$0.18	1,666,666
November 6, 2016	60,500	\$0.09	2,948,416
	<b>\$ 208,500</b>	<b>\$0.13</b>	<b>6,785,532</b>

## Zara Resources Inc.

Notes to Restated Condensed Interim Financial Statements  
Three and Nine Months Ended April 30, 2015  
(Expressed in Canadian Dollars)  
(Unaudited)

### 8. Share Capital (continued)

#### (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 (\$)
Balance, July 31, 2013	\$ 196,800	2,850,000	\$ 0.103
Cancelled	(21,900)	(400,000)	(0.10)
Balance, July 31 2014	\$ 174,900	2,450,000	0.103
Expired/forfeited	(21,900)	(400,000)	(0.10)
Balance, April 30, 2015	\$ 153,000	2,050,000	\$ 0.103

The following table sets out the details of the stock options granted and outstanding as at April 30, 2015:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
June 21, 2015	0.12	0.14	400,000	400,000	-
December 28, 2017	0.10	2.66	1,650,000	1,650,000	-
	0.104	2.34	2,050,000	2,050,000	-

#### (f) Share-Based Compensation

The fair value of the stock options granted and fully vested for the three and nine months ended April 30, 2015 was \$nil (three and nine months ended April 30, 2014 - \$nil). At April 30, 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.



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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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#### 8. Share Capital (continued)

##### (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 nine months ended April 30, 2015, 400,000 options granted in the previous years were expired (three and nine months ended April 30, 2014 – nil) and its fair value of \$21,900 was transferred to contributed surplus.

During the three and nine months ended April 30, 2015, 200,000 (three and nine months ended April 30, 2014 – nil) warrants expired unexercised and its fair value of \$8,000 was transferred to contributed surplus.

##### (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) income per share for the three and nine months period ended April 30, 2015 was based on the (loss) income attributable to common shareholders of \$(115,878) and income of \$84,089, respectively (three and nine months ended April 30, 2014 – \$(76,800) and \$(1,113,642), respectively) and the weighted average number of common shares outstanding of 43,326,660 and 40,130,817, respectively (three and nine months ended April 30, 2014 – 37,275,974). Diluted loss per share did not include the effect of 2,050,000 options and 6,785,532 warrants (2014 – 2,850,000 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. The investments in these Series A preferred shares have been impaired during the three and none months ended April 30, 2015.

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.

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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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#### 9. Plan of Arrangement (continued)

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.

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. 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.

	As at April 30, 2015	As at July 31, 2014
Accounts payable	\$ 25,740	\$ 405,822
Accrued liabilities	24,548	10,000
	<b>\$ 50,288</b>	<b>\$ 415,822</b>

#### 11. Related Party Transactions and Disclosures

Related party transactions were in the normal course of operations.

The due to related companies at April 30, 2015 of \$9,926 (July 31, 2014 - \$105,778) is comprised of due to Sammiri Capital Inc. a private company controlled by Daniel Wettreich, a director in the amount of \$500 (July 31, 2014 - \$100,778), due to Leo Resources Inc. in the amount of \$7,500 (July 31, 2014 - \$5,000), due to Greenbank Capital Inc. of \$758 (July 31, 2014 - \$nil) and due to Winston Resources Inc. of \$1,168 (July 31, 2014 - due from Winston Resources Inc. of \$4,657). All these amounts were made to provide working capital to the Company. The Company also has an amount due from Hadley Mining Inc. of \$9,000 (July 31, 2014 - \$nil) relating to the sale of a property interest. Daniel Wettreich, a director of the Company, is a director of all these companies. All amounts are interest-free with no fixed terms of repayment.

As at April 30, 2015 the Company also owed to Daniel Wettreich, a director in the amount of \$3,866 (July 31, 2014 - \$nil). The amount is 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 April 30, 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.

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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements

Three and Nine Months Ended April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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#### 11. Related Party Transactions and Disclosures (continued)

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 April 30, 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 April 30, 2015 is \$nil (July 31, 2014 - \$100,000) due to impairment of the full amount during the three and nine months ended April 30, 2015.

#### Key Management Compensation

The Company has incurred management fees of \$nil for the three and nine months ended April 30, 2015 (three and nine months ended April 30, 2014 - \$nil) to Sammiri Capital Inc. for the provision of management services. At April 30, 2015, the amount of \$nil (July 31, 2014 - \$59,325) related thereto has been included in accounts payables and accrued liabilities.

During the three and nine months ended April 30, 2015, the Company has incurred fees of \$nil (three and nine months ended April 30, 2014 - \$nil) to Vista Gold, a private company controlled by Sethu Raman, a former director for the provision of consulting and finder's fees. At April 30, 2015, the amount of \$nil (July 31, 2014 - \$50,000) related thereto has been included in accounts payables and accrued liabilities.

#### 12. Supplemental Cash Flow Information

Non-cash transactions not reflected in the Statements of Cash Flows for the nine months ended April 30, 2015 and 2014 are as follows:

	April 30, 2015	April 30, 2014
Shares issued to settle due to related companies (note 11)	216,604	-
Shares issued to settle accounts payable and accrued liabilities	267,204	-

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#### 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. There has been no further developments and the Company has not received any formal claim.

#### 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.

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## Zara Resources Inc.

### Notes to Restated Condensed Interim Financial Statements Three and Nine Months Ended April 30, 2015 (Expressed in Canadian Dollars) (Unaudited)

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#### 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 April 30, 2015, all of the Company's exploration and evaluation assets and liabilities are situated in Canada.

#### 16. Restatement of Previously Issued Financial Statements

Subsequent to filing of the April 30, 2015 interim condensed financial statements, the Company analyzed the fair value of the amount of investments in Series A preferred shares and determined an impairment in the value of the investments as at and for the three and nine months ended April 30, 2015.

The following table summarizes the effect of the restatement on the Company's previously reported condensed interim statement of financial position:

<b>As at April 30, 2015</b>	<b>As previously reported (\$)</b>	<b>Restatement (\$)</b>	<b>As restated (\$)</b>
Investment in Series A preferred shares	100,000	(100,000)	-

The following table summarizes the effect of the restatement on the Company's previously reported condensed interim statements of loss and comprehensive income:

<b>Three Months Ended April 30, 2015</b>	<b>As previously reported (\$)</b>	<b>Restatement (\$)</b>	<b>As restated (\$)</b>
Impairment of investment in Series A preferred shares	-	100,000	100,000
Net loss and comprehensive loss	15,878	100,000	115,878
Basic and diluted net loss per share	0.00	0.00	0.00

<b>Nine Months Ended April 30, 2015</b>	<b>As previously reported (\$)</b>	<b>Restatement (\$)</b>	<b>As restated (\$)</b>
Impairment of investment in Series A preferred shares	-	100,000	100,000
Net income and comprehensive income	184,089	(100,000)	84,089
Basic and diluted income per share	0.00	0.00	0.00

The following table summarizes the effect of the restatement on the Company's previously reported condensed interim statement of changes in equity:

<b>Nine Months Ended April 30, 2015</b>	<b>As previously reported (\$)</b>	<b>Restatement (\$)</b>	<b>As restated (\$)</b>
Deficit, end of period	1,874,148	100,000	1,974,148

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