ZARA RESOURCES INC.

Financial Statements

Year Ended July 31, 2015

(Expressed in Canadian Dollars)

Abraham Chan LLP
Chartered Accountants

Abraham Chan LLP
Chartered Accountants
300 New Toronto Street, Unit 3B
Toronto, ON M8V 2E8
Tel: 416-900-1870/1891
www.acllp.ca

Independent Auditor's Report

To the Shareholders of
Zara Resources Inc.

We have audited the accompanying financial statements of Zara Resources Inc. which comprise the statements of financial position as at July 31, 2015 and July 31, 2014 and the statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Zara Resources Inc., as at July 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 2 in the financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 2, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

"Abraham Chan LLP"

Toronto, Canada
November 30, 2015

Abraham Chan LLP
Chartered Accountants
Licensed Public Accountants

Zara Resources Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

As At July 31,		2015		2014
ASSETS				
Current assets				
Cash	$	**762**	$	256
Government HST Recoverable		**3,439**		14,336
Prepaid expenses		**-**		1,694
Due from related companies (note 14)		**11,007**		4,657
Total current assets		**15,208**		20,943
Non-current assets				
Investment in Series A Preferred Shares (note 12)		**-**		100,000
Exploration and evaluation assets (note 9)		**34,622**		798,442
Total non-current assets		**34,622**		898,442
Total assets	$	**49,830**	$	919,385
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 10 and 14)	$	**60,694**	$	415,822
Due to related parties (note 14)		**4,366**		100,778
Due to related companies (note 14)		**28,796**		5,000
Total current liabilities		**93,856**		521,600
Shareholders' (Deficiency) Equity				
Common share capital (note 11(a))		**1,537,143**		1,435,222
Preferred share capital (note 11(a))		**549,500**		549,500
Reserve for warrants (note 11(d))		**153,500**		174,900
Reserve for share-based payments (note 11(e))		**127,000**		274,500
Contributed surplus		**190,800**		21,900
Deficit		**(2,601,969)**		(2,058,237)
Total shareholders' (deficiency) equity		**(44,026)**		397,785
Total liabilities and shareholders' (deficiency) equity	$	**49,830**	$	919,385

Nature of operations (note 1)
Going concern (note 2)
Events after the reporting period (note 19)

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 financial statements are an integral part of these statements.

Zara Resources Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

Years Ended July 31,	2015	2014
Operating Expenses		
Bank charges	**$ 234**	$ 941
Consulting fees	**-**	40,000
Filing and listing fees	**6,500**	19,560
Legal and professional fees	**7,597**	449,875
Investor relations and market research	**-**	2,220
Office and general expenses	**12,817**	19,623
Transfer agent fees	**6,367**	15,425
Share holder information	**8,283**	104,651
Impairment of exploration and evaluation assets (note 9)	**758,733**	501,439
Impairment of investment in series A preferred shares (note 12)	**100,000**	-
	900,531	1,153,734
Other expense (income)		
Loss on disposition of exploration and evaluation assets	**2,541**	-
Gain on settlement of debt (note 11(c))	**(433,482)**	-
Net loss and comprehensive loss	**$ (469,590)**	$ (1,153,734)
Basic and diluted loss per share (note 11(j))	**$ (0.11)**	$ (0.31)
Weighted average number of common shares outstanding - basic and diluted (note 19)	**4,094,108**	3,754,275

Zara Resources Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)

Years Ended July 31,	2015	2014
Operating activities		
Loss for the year	$ (469,590)	$ (1,153,734)
Non-cash adjustments for:		
Impairment of exploration and evaluation asset	758,733	-
Impairment of investments in series A preferred shares	100,000	-
Loss on disposition of exploration and evaluation assets	2,541	-
Gain on settlement of debt	(433,482)	501,439
Settlement of expenses with non-cash common share consideration	-	176,416
Effects of loss in control	-	7,711
	(41,798)	(468,168)
Net changes in non-cash working capital:		
Government HST recoverable	10,897	11,814
Prepaid expenses	1,694	1,580
Accounts payable and accrued liabilities	(53,972)	257,058
Net cash used in operating activities	(83,179)	(197,716)
Investing activities		
Investment in Series A Preferred Shares	-	(100,000)
Due from related companies	(6,350)	(4,657)
Proceeds from disposition of exploration and evaluation assets (note 9)	9,000	-
Additions to exploration and evaluation assets (note 9)	(6,453)	(6,993)
Net cash used in investing activities	(3,803)	(111,650)
Financing activities		
Due to related companies	63,692	105,778
Due to related parties	23,796	(845)
Share issue costs	-	(3,000)
Net cash provided by financing activities	87,488	101,933
Net change in cash	506	(207,433)
Cash, beginning of year	256	207,689
Cash, end of year	$ 762	$ 256

The notes to the financial statements are an integral part of these statements.

Zara Resources Inc.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Share Capital			Convertible Preferred Share Capital		Reserves				Total
	Number of Shares	Amount	Units	Number of Shares	Amount	Share-Based Compensation	Warrants	Contributed Surplus	Deficit	(Deficiency) Equity
Balance, July 31, 2013	**3,538,596**	**$ 1,319,306**	**$ 100,000**	**520,500**	**$ 520,500**	**$ 196,800**	**$ 156,000**	**$ -**	**$ (554,214)**	**$ 1,738,392**
Units consisting of Convertible Series C preferred shares and warrants issued for cash (note11(b))	-	-	(100,000)	83,333	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	294,842	176,416	-	-	-	-	-	-	-	176,416
Valuation of warrants issued on debt settlement	-	(60,500)	-	-	-	-	60,500	-	-	-
Cancellation of stock options	-	-	-	-	-	(21,900)	-	21,900	-	-
Loss for the year	-	-	-	-	-	-	-	-	(1,153,734)	(1,153,734)
Balance, July 31, 2014	**3,833,438**	**$ 1,435,222**	**$ -**	**603,833**	**$ 549,500**	**$ 174,900**	**$ 274,500**	**$ 21,900**	**$ (2,058,237)**	**$ 397,785**
Cancellation of shares	(571,578)	-	-	-	-	-	-	-	-	-
Warrants expired	-	-	-	-	-	-	(121,000)	121,000	-	-
Options expired	-	-	-	-	-	(47,900)	-	47,900	-	-
Shares issued for the settlement of debt (note 11)	967,616	96,762	-	-	-	-	-	-	-	96,762
Shares issued for the settlement of interest on series B convertible preferred shares (note 11)	94,090	4,705	-	-	-	-	-	-	-	4,705
Shares issued for the settlement of interest on series A convertible preferred shares (note 11)	9,100	454	-	-	-	-	-	-	-	454
Dividends	-	-	-	-	-	-	-	-	(74,142)	(74,142)
Loss for the year	-	-	-	-	-	-	-	-	(469,590)	(469,590)
Balance, July 31, 2015	**4,332,666**	**$ 1,537,143**	**-**	**603,833**	**$ 549,500**	**$ 127,000**	**$ 153,500**	**$ 190,800**	**$ (2,601,969)**	**$ (44,026)**

The notes to the financial statements are an integral part of these statements.

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 31.07% owned by GreenBank Capital Inc. ("GreenBank") and 20.68% owned by Winston Resources Inc. ("Winston"), both GreenBank and Winston are 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 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 using the full cost method allowed under IFRS 6. 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 July 31, 2015, the Company has yet to generate revenues from operations and had a deficit of $2,601,969 (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.

3. Statement of Compliance and Basis of Presentation

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as of November 30, 2015, the date the Company's Board of Directors approved these financial statements.

(b) Basis of Presentation

These financial statements have been prepared on a going concern basis, under the historical cost convention, except fair certain value through profit and loss assets which may be carried at fair value in subsequent periods, 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

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

Related Party Disclosures
Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be Individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are in the normal course of business and have commercial substance and are measured at the fair value.

Income taxes
Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

- Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

4. Significant Accounting Policies (continued)

Income taxes (continued)
The carrying amount of deferred income tax assets is reviewed at each reporting date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position. Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Impairment of non-financial assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that these assets suffer any impairment in value, except for E&E which is first assessed against the indicators of IFRS 6. If any such IFRS 6 indication exists, the recoverable amount of the asset (or CGU) is estimated in order to determine the extent, if any, of the impairment loss.

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

If an impairment loss reverses in a subsequent period then the carrying amount of the asset is increased to its revised value to the extent that the increased carrying amount does not exceed its original carrying amount as would be determined under IFRS 6.

Exploration and evaluations assets ("E&E")
E&E assets consist of exploration and mining concessions, options and contracts. Acquisition costs, lease costs and exploration costs are capitalized and deferred until such time as the asset is moved to a mining asset (if meets the economic and feasible stage) or the properties are disposed of either through sale, abandonment or impairment.

E&E costs consist of such items as:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

4. Significant Accounting Policies (continued)

Exploration and evaluations assets (“E&E”) (continued)
E&E shall be assessed for impairment when one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

The Company estimates the recoverable amount of each CGU, on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property.

Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. E&E are also tested for impairment before the assets are transferred to development properties.

Functional currency
The Company’s presentation and functional currency is the Canadian dollar.

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

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

When the share-based payment arrangement has been cancelled or the terms have expired the fair value assigned to the share-based payment arrangement is transferred to contributed surplus.

Share Capital
Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company’s common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are recognized in equity as a reduction from the gross proceeds received from the issued shares.

4. Significant Accounting Policies (continued)

Financial instruments

Fair value through profit or loss (FVTPL)
Financial assets that are held with the intention of generating profits in the near term are classified as held for trading within FVTPL. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized as gain or loss in the statement of loss and comprehensive loss during the period.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the statements of loss and comprehensive loss.

Available-for-sale financial assets include investment in series A preferred shares, which has been impaired in the current year.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (“EIR”), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss and comprehensive loss. The losses arising from impairment are recognized in the statement of loss and comprehensive loss. The Company has classified government HST recoverable and due from related companies as loans and receivable.

Other financial liabilities
Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost. The effective interest rate (or amortized cost method) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

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

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

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Loss Per Share
Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. In the years when the Company reports a net loss, the effect of potential issuances of common shares are anti-dilutive, therefore, basic and fully diluted loss per common share is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as the conversion of outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants.

4. Significant Accounting Policies (continued)

Changes in accounting policies
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after July 31, 2014. The following new standards have been adopted:

(i) IAS 32 – Financial Instruments: Presentations (“IAS 32”) clarifies some of the requirements for offsetting financial assets and financial liabilities on the consolidated statement of financial position. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014. At August 1, 2014, the Company adopted this pronouncement and there was no material impact on the Company’s 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 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 financial statements.

(iv) 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 financial statements.

(v) 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 financial statements.

4. Significant Accounting Policies (continued)

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

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. This standard also requires an expected loss impairment method to be used, replacing the incurred loss method.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are to be recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015. The Company is still in the process of assessing the impact of this pronouncement.

(ii) IFRS 11 - Joint Arrangements ("IFRS 11") was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted. The Company is still in the process of assessing the impact of this pronouncement.

(iii) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements (such as IFRS 14, IFRS 15, and the various annual improvements) that have no material impact to the Company are not included above. The Company has not early adopted these standards.

5. Critical Accounting Estimates and Judgments

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

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies
Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(a) Impairment of exploration and evaluation assets
The application of the Company’s accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

(b) Title to mineral property interests
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(c) Income taxes
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company’s current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. Critical Accounting Estimates and Judgments (continued)

(d) Going concern risk assessment
The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Key sources of estimation uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

(a) Share based compensation
The Company records all share-based compensation using the fair value method. The Company uses the Black-Scholes option pricing model to determine the fair value of share-based compensation. This estimate also requires determining the most appropriate inputs to the valuation model. The main factor affecting the estimates of the fair value of stock options is the stock price, expected volatility used and the expected duration of the instrument. The Company currently estimates the expected volatility of its common shares based on comparable information derived from the trading history of guideline public companies which are in a similar situation to the Company taking into consideration the expected life of the options.

(b) Impairment of investments
The determination of whether an impairment exist on investment due to changes in the financial condition of the investee and the Company ability to dispose or redeem the investments for cash.

(c) Valuation of receivables and payables
The amounts due to/from parent company and companies under common control have no stated terms of repayment or interest rate attached to it. Management must make judgments about the valuation and recoverability of receivables. Events and circumstances arising during the year, or that are foreseeable at year-end, are reflected in the valuation of these receivables in the statement of financial position and reflect management’s best estimate of the fair value of these financial instruments.

6. 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.

6. Financial Risk Management (continued)

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 government HST recoverable, which is due from the Canadian government, as well as the amount due from related companies, as described in note 14, and is expected to be recoverable. As such, the risk of loss on these assets is minimal.

Market and other risk

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly.

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at July 31, 2015, the Company had cash of $762. 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 government HST recoverable and due from related companies are classified as loans and receivables whereby they are initially recognized at fair value and then subsequently carried at amortized cost. Amounts payables and other liabilities, due to related parties 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:

(Expressed in Canadian Dollars)

6. Financial Risk Management (continued)

Financial Risks (continued)

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

	As at July 31, 2015 $	As at July 31, 2014 $
Financial Assets		
Fair value through profit or loss		
Cash	762	256
Loans and receivables		
Government HST Recoverable	3,439	14,336
Due from related companies	11,007	4,657
Availabe-for-sale		
Investment in Series A Preferred Shares	-	100,000
Financial Liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	60,694	415,822
Due to related companies	28,796	5,000
Due to related parties	4,366	100,778

7. Capital Management

The Company considers its capital to be comprised of shareholder' equity. 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 defines its capital as its shareholders' (deficiency) equity. As at July 31, 2015, the Company's capital resources amounted to a deficiency of $44,026 (2014 - equity of $397,785).

The Company’s capital management objectives, policies and processes have remained unchanged during the years ended July 31, 2015 and 2014. The Company is not subject to any capital requirements imposed by a lending institution.

(Expressed in Canadian Dollars)

8. Government HST Recoverable

As at July 31,	2015	2014
Government HST receivables	**$ 3,439**	$ 14,336

Government HST recoverable is not past due.

9. Exploration and evaluation assets

	Ontario Properties			
	Riverbank and Broke Back (100% owned)	Pigeon River (75% owned)	Forge Lake (100% owned)	Total
Balance, July 31, 2013	**$ 358,000**	**$ 702,400**	**$ 590,488**	**$I,650,888**
Changes during the period:				
Exploration expenditures	-	540	6,453	6,993
Disposal/Write-off	(358,000)	(501,439)	-	(859,439)
Balance, July 31, 2014	**$ -**	**$ 201,501**	**$ 596,941**	**$ 798,442**
Change during the period:				
Exploration expenditures	-	-	6,453	6,453
Impairment	-	(155,339)	(603,394)	(758,733)
Disposal	-	(11,540)	-	(11,540)
Balance, July 31, 2015	**$ -**	**$ 34,622**	**$ -**	**$ 34,622**

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 2.5 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.

9. Exploration and evaluation assets (continued)

Riverbank (continued)

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 22,500 common shares of the Company at a fair value of $1.00 per share and 45,500 non-voting 5% convertible Series A preference shares of the Company at a fair value of $1.00 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 former 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 12).

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 225,,000 common shares of the Company at a fair value of $1.00 per share and 475,000 non-voting 5% convertible Series B preferred shares of the Company at a fair value of $1.00 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 225,,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 year ended July 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.

On April 10, 2015, the Company sold a 25% interest in its Pigeon River mining claim to Hadley Mining Inc ("Hadley"), a company in which Daniel Wettreich, the director and officer of the Company, is also a director, for the sum of $9,000. As a result of this transaction, a loss in amount of $2,541 was realized.

(Expressed in Canadian Dollars)

9. Exploration and evaluation assets (continued)

Forge Lake

On April 16, 2013, the Company completed the acquisition of 100% of the Forge Lake Gold Project located in Ontario from Hudson River Minerals Ltd (“HRM”) for the sum of $583,010. The Company acquired the property by the purchase of all the rights, title and interest to that certain Mineral Exploration Agreement dated November 1, 2011 (‘the License”) between HRM and 3011650 Nova Scotia Ltd. (“Licensor’). The License is subject to an original 5 years with an extension for a further 5 years and the right to convert from a license into a lease with rights to enter commercial production. If the property goes into production, there is a 3.0% royalty, of which the first 1% can be purchased for $1 Million and the second 1% can be re-purchased for $1 Million for each 0.5%. As consideration, the Company issued HRM 571,578 common shares of the Company at a fair value of $1.00 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 11,432 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.

During the year ended July 31, 2015, management determined that the Company did not have the financing to further the project and hence the carrying value of the property of $603,394 was impaired.

10. Accounts Payable and Accrued Liabilities

	As at July 31, 2015	As at July 31, 2014
Accounts payable	**$ 29,148**	$ 405,821
Accrued liabilities	**9,000**	10,000
Others	**22,546**	-
	$ 60,694	$ 415,822

The aging of the accounts payable and accrued liabilities is as follows:

As at July 31,	2015	2014
Less then 30 days	**$ 13,407**	$ 13,533
From 30 days to 90 days	**226**	70,353
Greater than 90 days	**47,061**	331,936
	$ 60,694	$ 415,822

11. 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.

(b) *Private placement*

On August 1, 2013, the Company completed a private placement of 83,333 Units in the capital of the Company at $1.20 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 $1.80 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. The proceeds of the private placement were used for general corporate purposes.

(Expressed in Canadian Dollars)

11. 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 $0.60 per share and one warrant exercisable at $0.90 per share and expiring November 6, 2016. The debt conversion resulted in the issuance of 294,842 common shares and 294,842 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 $0.40, 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 967,616 common shares with a fair value of $96,762 (at $0.10 per share at the time of the issuance) 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 income (loss) and comprehensive income (loss).

On January 7, 2015, the Company issued 94,090 common shares with a fair value of $4,705 (at $0.10 per share at the time of the issuance) in order to settle accumulated interest on the Series B Convertible Preferred shares. (See note 9) 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 income (loss) and comprehensive income (loss).

On January 26, 2015, the Company issued 9,100 common shares with a fair value of $454 (at $0.10 per share at the time of the issuance) in order to settle accumulated interest on the Series A Convertible Preferred shares. (See note 9) 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 income (loss) and comprehensive income (loss).

(d) Warrants

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

		Fair Value	Number of warrants
Balance, July 31, 2013	**$**	**156,000**	**237,045**
Issued		127,167	461,508
Issuance cost		(8,667)	-
Balance, July 31, 2014		**274,500**	**698,553**
Expired		(121,000)	(186,666)
Balance, July 31, 2015	**$**	**153,500**	**511,887**

(Expressed in Canadian Dollars)

11. Share Capital (continued)

(d) Warrants (continued)

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

Expiry Date		Fair value	Exercise price		Number of warrants
May 24, 2016	$	6,000	$1.40	$	9,091
July 2, 2016		29,000	$1.80		41,288
August 1, 2016		58,000	$1.80		166,666
November 6, 2016		60,500	$0.90		294,842
	$	**153,500**	**$1.30**		**511,887**

(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**	**285,000**	**$ 1.03**
Cancelled		(21,900)	(40,000)	(1.00)
Balance, July 31 2014	**$**	**174,900**	**245,000**	**1.03**
Expired/forfeited		(47,900)	(80,000)	(1.00)
Balance, July 31, 2015	**$**	**127,000**	**165,000**	**$ 1.00**

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

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
December 28, 2017	1.00	2.41	165,000	165,000	-
	1.00	**2.41**	**165,000**	**165,000**	**-**

11. Share Capital (continued)

(f) Share-Based Compensation

The fair value of the stock options granted and fully vested for the year ended July 31 2015 was $nil (2014 - $nil). At July 31, 2015, there were 165,000 vested options.

(g) Distributions in Kind

In August 2013, pursuant to a plan of arrangement with Leo as detailed in Note 12 the Company declared a distribution to its shareholders of record 1,373,750 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 year ended July 31, 2015, 80,000 options granted in the previous years were expired (2014 – nil) and its fair value of $47,900 was transferred to contributed surplus.

During the year ended July 31, 2015, 186,,666 (2014 – nil) warrants expired unexercised and its fair value of $121,000 was transferred to contributed surplus.

(i) Cancellation of common shares

On October 17, 2014, the Company cancelled 571,578 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 571,578 Company common shares to Hudson shareholders within the required time frame.

(j) Basic and Diluted Loss per Share

The calculation of basic and diluted income per share for the year ended July 31, 2015 was based on the loss attributable to common shareholders of $469,590 (2014 – $1,153,734) and the weighted average number of common shares outstanding of 4,094,108 (2014 – 3,754,275). Diluted loss per share did not include the effect of 165,000 options and 511,887 warrants (2014 – 245,000 options and 698,553 warrants) as they are anti-dilutive.

12. Plans of Arrangement

<u>Leo Plan of Arrangement</u>
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. During the year ended July 31, 2015, the Company's management analyzed the fair value of the investment in Series A preferred shares and determined an impairment in the value of the investment. As such, a full impairment of $100,000 has been recorded.

(Expressed in Canadian Dollars)

12. Plan of Arrangement (continued)

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 ten common share in the capital of Leo for every twenty 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.

13. Income taxes

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

		2015		2014
Income (loss) before income taxes	$	**(469,590)**	$	**(1,153,734)**
Combined statutory rate		26.5%		26.5%
		(124,000)		(306,000)
Impairment of exploration and evaluation assets		201,000		133,000
Amortization of share issue costs		(1,000)		(1,000)
Impairment of investments		26,500		-
Benefit of losses (not recognized)		-		174,000
		102,500		-
Application of benefit of losses		(102,500)		-
	$	-	$	-

(Expressed in Canadian Dollars)

13. Income taxes (continued)

As at July 31, 2015, the Company has Canadian non-capital losses of approximately $620,000 (2014 - $1,009,000) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

2034	**$**	**620,000**
	$	**620,000**

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

		2015		2014
Benefit of non-capital losses	**$**	**165,000**	$	267,000
Mineral property exploration		**338,000**		136,000
Share issue costs		**2,000**		3,000
Less: Valuation allowance (100% impairment of tax asset)		**(505,000)**		(406,000)
	$	**-**	$	-

Deferred income tax assets have been impaired in respect of these items because it is not probable that future profit will be available against which the Company can utilize the benefits therefrom.

14. Related Party Transactions and Disclosures

Related party transactions were in the normal course of operations.

The due to related companies at July 31, 2015 of $28,796 (2014 - $5,000) is comprised of due to Leo, in the amount of $7,500 (2014 - $5,000) and due to GreenBank of $21,296 (2014 - $nil), which amounts were made to provide working capital. All these companies have Daniel Wettreich, a director and CEO of the Company, as director.

The Company has a due to related parties of $4,366 (2014 - $100,778), which is made up of amount due to Sammiri Capital Inc. ("Sammiri"), a private company controlled by Daniel Wettreich, a director and an officer of the Company, in the amount of $500 (2014 - $100,778) and the amount due Daniel Wettreich of $3,866 (2014 - $nil). These amounts were made to provide working capital to the Company.

The Company also has an amount due from related companies of $11,007 (2014 - $4,657), which is comprised of due from Hadley of $9,000 (2014 - $nil) and an amount due from Winston of $2,007 (2014 - $4,657). All these companies have Daniel Wettreich, a director and CEO of the Company, as director. These amounts were made to provide working capital to those related companies. All amounts are interest-free with no fixed terms of repayment.

On November 27, 2014, the Company issued 320,208 common shares to settle a debt of $160,104 that was due to Sammiri.

During the year ended July 31, 2015, the Company incurred transfer agent fees of $4,166 (2014 - $nil) to Reliable Stock Transfer Inc., ("Reliable") a company owned by Daniel Wettreich for the provision of share transfer services. As at July 31, 2015, amount owed to Reliable is $3,520 (2014 - $nil) and has been included in the accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

14. Related Party Transactions and Disclosures (continued)

On November 27, 2014, the Company issued 113,,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 former director of the Company.

As part of the plan of arrangement with Leo, the Company subscribed to $100,000 Series A preferred shares of Leo during the year ended July 31, 2014. During the year ended July 31, 2015, the full amount of investment was impaired by management as there was doubt if these shares can be converted back to cash. The investment in Series A preferred shares as at July 31, 2015 is $nil (2014 - $100,000).

Key Management Compensation

At July 31, 2015, the amount of $nil (2014 - $59,325) being management fees carried forward from prior years was owed to Sammiri and such amount has been included in accounts payables and accrued liabilities.

During the year ended July 31, 2015, the Company has incurred fees of $nil (2014 - $50,000) to Vista Gold Resources Inc., a private company controlled by a former director for the provision of consulting and finder's fees. At July 31, 2015, the amount of $nil (2014 - $56,500) related thereto has been included in accounts payables and accrued liabilities.

15. Supplemental Cash Flow Information

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

		2015	2014
Shares issued to settle due to related companies (note 14)	$	160,104	-
Shares issued to settle accounts payable and accrued liabilities		323,707	-
Shares issued to settle dividends		51,595	-

16. 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.

17. Effects of Loss of Control

Pursuant to plans of arrangement as detailed in note 12, 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.

18. 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 July 31, 2015, all of the Company's exploration and evaluation assets and liabilities are situated in Canada.

19. Events after the reporting period

On September 14, 2015, the Company announced that, subject to a dual listing on the AIM market in London, it will seek shareholder approval to change its business to a natural resources investment company. The Company also proposed to change its board of directors, raise GBP 4 million in a private placement in London, and change its name to SmallCap Resource Investments Inc.

The Company completed a share consolidation of its common shares on the basis of one (1) new common share for ten (10) old common shares to be effective October 15, 2015. All common shares and per common share price reported in this financial statements has been retroactively restated to reflect the share consolidation. The outstanding stock options and warrants were adjusted by the consolidation ratio.