

ZARA RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED JANUARY 31, 2018

(Unaudited)

ZARA RESOURCES INC.
Condensed Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	As at January 31, 2018	As at July 31, 2017
ASSETS		
Current assets		
Cash	\$ 1,263	\$ -
Government HST recoverable	637	3,062
Total current assets	1,900	3,062
Non current assets		
Exploration and evaluation assets (note 8)	23,080	23,080
Total non current assets	23,080	23,080
Total Assets	\$ 24,980	\$ 26,142
EQUITY AND LIABILITIES		
Current liabilities		
Bank indebtedness	\$ -	\$ 120.00
Accounts payable and accrued liabilities (note 6)	28,763	38,084
Due to related party (note 9)	58,862	38,744
Due to related company	678	3,390
Total current liabilities	88,303	80,338
Shareholders' deficiency		
Common share capital (note 9)	1,630,782	1,630,782
Preferred share capital (note 9)	29,000	29,000
Reserve for share-based payments (note 9)	-	127,000
Contributed surplus (note 9)	986,600	859,600
Deficit	(2,709,705)	(2,700,578)
Total shareholders' deficiency	(63,323)	(54,196)
Total liabilities and shareholders' deficiency	\$ 24,980	\$ 26,142

Nature of operations (note 1)
Going concern (note 2)
Subsequent events (note 12)

Approved on behalf of the Board of Directors April 2, 2018:

"Eugene Beukman"
Signed

"Damanjit Gahunia"
Signed

ZARA RESOURCES INC.**Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)****(Unaudited - Expressed in Canadian Dollars)**

	Three Months Ended January 31, 2018	Three Months Ended January 31, 2017	Six Months Ended January 31, 2017	Six Months Ended January 31, 2017
Operating Expenses				
Bank Charges	\$ 57	\$ 72	\$ 114	\$ 118
Consulting fees	-	150,000	-	150,000
Filing and listing fees	1,950	2,030	7,839	3,530
Legal and professional fees	2,100	2,120	1,175	5,370
Office and general expenses	-	-	-	1,325
Transfer agent fees	-	1,114	-	1,764
Loss (gain) on settlement of debt	-	(201,241)	-	(201,241)
Net income (loss) and comprehensive income (loss)	\$ (4,107)	\$ 45,905	\$ (9,128)	\$ 39,134
Basic and diluted loss per share	(0.00)	0.01	(0.00)	0.01
Weighted average number of common shares outstanding	10,505,486	6,910,677	10,505,486	4,341,285

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

ZARA RESOURCES INC.
Condensed Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended January 31, 2018	Six Months Ended January 31, 2017
Operating Activities		
Income (loss) for the period	\$ (9,128)	\$ 39,134
Loss (gain) on settlement of debt	-	(201,241)
Settlement of expenses with non-cash common share consideration	-	150,000
	(9,128)	(12,107)
Net changes in non-cash working capital		
Government HST recoverable	2,426	1,564
Accounts payable and accrued liabilities	(9,321)	(20,479)
Net cash provided by (used in) operating activities	(16,023)	(31,022)
Financing activities		
Due to related companies	(2,712)	-
Due to related party	20,118	32,878
Net cash provided by financing activities	17,406	32,878
Net change in cash	1,383	1,856
Cash, beginning of period	(120)	67
Cash, end of period	\$ 1,263	\$ 1,923

ZARA RESOURCES INC.

Condensed Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Common Share Capital		Convertible Preferred Share Capital		Reserves			Deficit	Total (Deficiency) Equity
	Number of Shares	Amount	Number of Shares	Amount	Share-Based Compensation	Warrants	Contributed Surplus		
Balance, July 31, 2016	4,993,446	\$ 1,603,221	603,833	\$ 549,500	\$ 127,000	\$ 118,500	\$ 225,800	\$ (2,710,825)	\$ (86,804)
Shares issued for conversion of series A preferred shares	90,000	455	(45,500)	(45,500)	-	-	45,045	-	-
Warrants expired	-	-	-	-	-	(118,500)	118,500	-	-
Shares issued for conversion of series B preferred shares	950,000	4,745	(475,000)	(475,000)	-	-	470,255	-	-
Shares issued for the settlement of dividend on series C convertible preferred shares	83,320	417	-	-	-	-	-	-	417
Shares issued for the settlement of dividend on series B convertible preferred shares	475,000	2,375	-	-	-	-	-	-	2,375
Shares issued for the settlement of dividend on series A convertible preferred shares	45,500	228	-	-	-	-	-	-	228
Shares issued for debt settlement	3,868,220	19,341	-	-	-	-	-	-	19,341
Dividends	-	-	-	-	-	-	-	(12,927)	(12,927)
Income for the year	-	-	-	-	-	-	-	39,134	39,134
Balance January 31, 2017	10,505,486	\$ 1,630,782	83,333	\$ 29,000	\$ 127,000	\$ -	\$ 859,600	\$ (2,684,618)	\$ (38,236)
Balance July 31, 2017	10,505,486	\$ 1,630,782	83,333	\$ 29,000	\$ 127,000	\$ -	\$ 859,600	\$ (2,700,577)	\$ (54,195)
Expired Stock Options					(127,000)		127,000		
Loss for the period								\$ (9,128)	
Balance , January 31, 2018	10,505,486	\$ 1,630,782	83,333	\$ 29,000	\$ -	\$ -	\$ 986,600	\$ (2,709,705)	\$ (63,323)

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

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

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. Zara was 31.07% owned by GreenBank Capital Inc. ("GreenBank") and 17.94% owned by Winston Resources Inc. ("Winston"), both GreenBank and Winston are Canadian public companies. On January 29, 2016, GreenBank and Winston declared share dividend in which they distributed all of their shareholding interest in Zara to their shareholders. GreenBank and Winston no longer have any shareholding interest in the Company. 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 100 Bass Pro Mills Drive, No. 49, Vaughn, Ontario L4K 5X1, Canada.

On March 2, 2017, Zara announced that it had signed a Letter of Intent which defines the essential terms under which it will enter into a definitive agreement (the "Acquisition Agreement") for the acquisition by Zara of all the issued share capital of Fox Automotive Switzerland AG, Magnum Pirex AG and its subsidiary Magnum Courb SAS ("Fox Magnum") for the sum of CAD\$126,000,000 payable by the issuance by Zara of 85,000,000 new common shares at a deemed price of CAD\$1.48235 per share. Fox Magnum is a group of European companies in the electric automotive industry, with interests in electric car manufacturing, fuel cell kits and electric automotive intellectual property and patents.

In September 2017, the Company announced that following due diligence discussions, it has amended the terms of its proposed acquisition of the Fox Magnum electric car business. The Company will proceed with the acquisition of all the issued share capital of Fox Automotive Switzerland AG ("Fox"). It will not proceed with the acquisition of Magnum Pirex AG and its subsidiary Magnum Courb SAS. By the terms of the Amended Definitive Agreement, Zara will acquire all the issued share capital of Fox for the sum of CAD\$91,557,738 payable by the issuance by Zara of 61,765,263 new common shares at a deemed price of CAD\$1.48235 per share. Closing of the Amended Definitive Agreement will be subject to a number of conditions, including but not limited to approval by Zara shareholders at a shareholders meeting, completion of due diligence procedures, and compliance with any required governmental and securities regulations and CSE listing requirements. There is no guarantee that the Fox transaction will be completed. Subsequent to January 31, 2018 the agreement with Fox Automotive and Magnum Korea were terminated, refer to note 12 (a).

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 not commenced active exploration on its exploration and evaluation assets ("E&E"). It is unknown whether the E&E contain reserves that are economically recoverable. The Company continues to incur 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.

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

2. Going Concern Assumption (Continued)

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop if E&E are proven successful and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at January 31, 2018, the Company has yet to generate revenues from operations and had a deficit of \$2,709,705 (January 31, 2017 - \$2,684,618). 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. Basis of Presentation

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB").

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:

Changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after July 31, 2016. The following new standards have been adopted:

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

4. Significant Accounting Policies (Continued)

(i) 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. At August 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(ii) 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. At August 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

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.

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. 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

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

5. Critical Accounting Estimates and Judgements

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.

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

5. Critical Accounting Estimates and Judgements (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.

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

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 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 January 31, 2018, the Company had a cash balance of \$1,263 and accounts payable and accrued liabilities were \$28,763 (January 31, 2017 – \$31,401). 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.

Financial Instruments Risk

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 is classified as loans and receivables whereby it is initially recognized at fair value and then subsequently carried at amortized cost. Accounts payables and accrued liabilities, due to related party and due to related company are classified as other financial liabilities whereby they are initially recognized at fair value and then measured at amortized cost.

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

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

7. Capital Management (continued)

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. As at January 31, 2018, the Company's capital resources amounted to a deficiency of \$63,323 (January 31, 2017 - \$38,236).

The Company's capital management objectives, policies and processes have remained unchanged during the period. The Company is not subject to any capital requirements imposed by a lending institution.

8. Exploration and Evaluation Assets

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, a former 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.

On January 19, 2016, the Company sold a 25% interest in its Pigeon River mining claim to Winston a company in which Daniel Wettreich, a former 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.

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

9. Share Capital

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

The Series A and B preferred shares may be converted into common shares at the option of the Company. On December 30, 2016, all Series A and Series B preferred shares have been converted into common shares of the Company. The Series C preferred shares may be converted into common shares at the option of the holders. 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.

Warrants

There were no issued and outstanding warrants as at January 31, 2018.

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, 2017	\$ 127,000	165,000	\$ 1.00
Expired December 28, 2017	(127,000)	(165,000)	\$ 1.00
Balance January 31, 2018	\$ -	-	\$ -

There were no issued and outstanding stock options at January 31, 2018.

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. Contributed surplus also includes the difference in the book value of preferred shares and the fair value of common shares issued to convert preferred shares into common shares of the Company.

ZARA RESOURCES INC.
Notes to the Condensed Interim Financial Statements
January 31, 2018
(Unaudited – Expressed in Canadian Dollars)

10. Related Party Transactions

The due to related company at January 31, 2018 of \$678 (January 31, 2017 - \$678) is comprised of due to GreenBank, and a former director Daniel Wettreich is a director and CEO of GreenBank.

At January 31, 2018, the Company has a due to related party of \$58,862 (January 31, 2017 - \$32,878), which is made up of amount due to a former director of the Company. These amounts were made to provide working capital to the Company.

During the three months ended January 31, 2018, the Company incurred transfer agent fees of \$Nil (January 31, 2017 - \$9,118) to Reliable Stock Transfer Inc., ("Reliable") a company owned by former director Daniel Wettreich for the provision of share transfer services.

11. Segmented Information

The Company's operations are comprised of a single reporting operating segment engaged in the exploration and evaluation of mineral resources. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent a single reporting segment. As at January 31, 2018, all of the Company's exploration and evaluation assets and liabilities are situated in Canada.

12. Subsequent Events

Subsequent to January 31, 2018:

- a) The Company announced on February 6, 2018 that it would no longer proceed with the acquisition of all the issued and outstanding share capital of Fox Automotive Switzerland AG and has terminated the agreement. In addition, the Company will not proceed with the acquisition of Magnum Korea Ltd. pursuant to a Letter of Intent announced September 19, 2017. The Company will now seek to acquire other mineral properties and investigate other business opportunities.
- b) On February 26, 2018 closed the previously announced sale by Daniel Wettreich a director and CEO of the Company, of the majority of his shareholdings in the Company. A number of independent investors acquired from Daniel Wettreich the total amount of 5,357,810 common shares of Zara representing 51% of the issued and outstanding share capital of Zara, for the payment of \$850,000 at a deemed price of \$0.158647 per share. Messrs Eugene Beukman, Damanjit Gahunia and Ajit Bhatti were appointed as directors to fill the vacancies on the board resulting from the resignations of Messrs. Daniel Weetreich, Mark Wettreich, Peter Wanner, Paul Cullingham and David Lonsdale.