ZARA RESOURCES INC.

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2018 AND 2017

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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 statement of financial position as at July 31, 2018, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' deficiency and cash flows for the year 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 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Zara Resources Inc.'s ability to continue as a going concern.

As disclosed in Note 15 in the financial statements, the financial statements for the year ended July 31, 2017 have been restated.

Restated Comparative Information

The financial statements of Zara Resources Inc. for the year ended July 31, 2017 (prior to the restatement of the comparative information described in Note 15 to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on November 28, 2017.

As part of our audit of the financial statements of Zara Resources Inc. for the year ended July 31, 2018, we also audited the adjustments described in Note 15 that were applied to restate the financial statements for the year ended July 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of Zara Resources Inc. for the year ended July 31, 2017 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended July 31, 2017 taken as a whole.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2018

ZARA RESOURCES INC.

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	July 31, 2018	July 31, 2017 (Restated)	July 31, 2016 (Restated)
ASSETS				
Current Assets				
		$ -	$ -	$ 67
Other Receivables		2,518	3,062	3,282
		2,518	3,062	3,349
Non-Current Assets				
Exploration and Evaluation Assets	8	-	23,080	23,080
TOTAL ASSETS		$ 2,518	$ 26,142	$ 26,429
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current Liabilities				
Bank Indebtedness		$ -	$ 120	$ -
Accounts Payable and Accrued Liabilities	9	39,067	38,084	69,144
Due to Related Parties	14	63,123	42,134	44,089
		102,190	80,338	113,233
Non-Current Liabilities				
Series C Preferred Shares	10, 15	100,000	100,000	100,000
Total Liabilities		202,190	180,338	213,233
SHAREHOLDERS' DEFICIENCY				
Common Share Capital	10	1,630,782	1,630,782	1,603,221
Preferred share capital		-	-	520,500
Reserves	10	-	127,000	245,500
Contributed Surplus	10	986,600	859,600	225,800
Deficit		(2,817,054)	(2,771,578)	(2,781,825)
Total Shareholders' Deficiency		(199,672)	(154,196)	(186,804)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$ 2,518	$ 26,142	$ 26,429
Subsequent Events	16			

Approved on behalf of the Board of Directors

"Kenneth Cotiamco"
Director

"Jonathan Yan"
Director

The accompanying notes are an integral part of these financial statements.

ZARA RESOURCES INC.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED JULY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Note		July 31, 2018		July 31, 2017 (Restated)
OPERATING EXPENSES					
Bank charges		$	142	$	207
Consulting fees			-		150,000
Filing and listing fees	14		16,139		7,665
Finance expense			5,000		4,166
Legal and professional fees			13,333		13,822
Office and general expenses			463		1,325
Transfer agent fees			2,700		2,964
Reversal of liabilities			(15,382)		-
Write-down of mineral properties	8		23,081		-
Gain on settlement of debt	10		-		(201,241)
NET INCOME (LOSS) AND COMPREHENSIVE LOSS		$	(45,476)		21,092
Basic and diluted income (loss) per share		$	(0.00)	$	0.00
Weighted average number of common shares outstanding					
Basic and diluted			10,505,508		8,210,061

The accompanying notes are an integral part of these financial statements.

ZARA RESOURCES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED JULY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

	Common Shares		Convertible Preferred Shares		Reserves				
	Number of Shares	Amount	Number of Shares	Amount	Options	Warrants	Contributed Surplus	Accumulated Deficit	Total
Balance, July 31, 2016 (Restated)	4,993,468	$ 1,603,221	603,833	$ 520,500	$ 127,000	$ 118,500	$ 225,800	$ (2,781,825)	$ (186,804)
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	-	-	-	-	-	-	-	(10,845)	(10,845)
Net income	-	-	-	-	-	-	-	21,092	21,092
Balance, July 31, 2017 (Restated)	10,505,508	1,630,782	83,333	-	127,000	-	859,600	(2,771,578)	(154,196)
Stock options expired	-	-	-	-	(127,000)	-	127,000	-	-
Net loss	-	-	-	-	-	-	-	(45,476)	(45,476)
Balance, July 31, 2018	10,505,508	$ 1,630,782	83,333	$ -	$ -	$ -	$ 986,600	$ (2,817,054)	$ (199,672)

The accompanying notes are an integral part of these financial statements.

ZARA RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2018 AND 2017
(Expressed in Canadian Dollars)

		July 31, 2018		July 31, 2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the year	$	(45,476)	$	21,092
Items not affecting cash from operations:				-
Non-cash dividend		5,000		4,166
Reversal of liabilities		(15,382)		-
(Gain) on settlement of debt		-		(201,241)
Write-down of mineral properties		23,080		-
Settlement of expenses with non-cash common share consideration		-		150,000
Changes in non-cash working capital items:				
Decrease in other receivables		544		220
Decrease (increase) in accounts payable and accrued liabilities		11,365		(15,880)
NET CASH USED IN OPERATING ACTIVITIES		(20,869)		(41,643)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans from related parties		20,989		41,456
NET CASH PROVIDED BY FINANCING ACTIVITIES		20,989		41,456
NET CHANGE IN CASH		120		(187)
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR		(120)		67
CASH (BANK INDEBTEDNESS), END OF YEAR	$	-	$	(120)

The accompanying notes are an integral part of these financial 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. 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 488 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7, 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 of 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 February 2018, the Company terminated the acquisition with Fox Magnum.

Subsequent to the year ended July 31, 2018, the Company entered into an assignment and novation agreement with an arm's length party (the "Assignor"), pursuant to which the Assignor has assigned to Zara the rights and obligations of the Assignor pursuant to a letter agreement ("LOI") between the Assignor and Blacklist Holdings Inc. ("Blacklist"), a private Washington company. The LOI contemplates a proposed business combination transaction pursuant to which the Company will acquire all the issued and outstanding common shares of Blacklist in exchange for common shares of the Company. See Note 16.

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 interest6 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. 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.

2. Going Concern Assumption (cont'd)

As at July 31, 2018, the Company has yet to generate revenues from operations and had a deficit of $2,817,054 (2017 - $2,771,578). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all 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 Company'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 28, 2018, 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 certain fair value through profit and loss assets which may be carried at fair value in subsequent period, 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.

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:

a. Exploration and Evaluation 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 sales, 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 (cont'd)

a. Exploration and Evaluation Assets ("E&E") (cont'd)

E&E shall be assessed for impairment when one or more of the following facts and circumstances indicate that a specific cash generating unit ("CGU") shall 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 are 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.

b. Impairment of Long-Lived Assets

The Company performs impairment tests on its long-lived assets, including E&E, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or CGU is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

4. Significant Accounting Policies (cont'd)

c. Share-Based Payments

Share-based payments to officers, directors and consultants are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value the goods or services cannot be reliably measured, and are recorded at the date the goods and services are received. The fair value of options, as determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions, is expensed in profit or loss. The corresponding amount is recorded to reserves. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

d. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. 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.

e. 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 instrument are subsequently re-measured at fair value with the change in the fair value recognized as gain or loss in the statement of income (loss) and comprehensive income (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 income (loss) and comprehensive income (loss).

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 income (loss) and comprehensive income (loss).

4. Significant Accounting Policies (cont'd)

e. Financial Instruments (cont'd)

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).

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 has 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.

f. Income (Loss) Per Share

Income (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 shares 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 (cont'd)

g. Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases off assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

5. Critical Accounting Estimates and Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities, inventory valuation and ability to continue as a going concern. Actual results may differ from these estimates and judgments.

5. Critical Accounting Estimates and Judgments (cont'd)

Critical Judgments

The following are critical judgments that management has made in the process of applying policies that have the most significant effect on the amount recognized in the financial statements:

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.

Going Concern

The assessment of the Company's ability to continue as a going concern involves critical judgment based on historical experience. Significant judgments are used in the Company's assessment of its ability to continue as a going concern which is described in Note 2.

Estimation Uncertainty

The following are key assumptions concerning the future and key sources of estimation uncertainty that have significant risk of resulting in material adjustment in the carrying amounts of assets and liabilities within the next financial year.

Share-Based Payments

The Company records all share-based payments using the fair value method. The Company uses Black-Scholes option pricing model to determine the fair value of share-based payments. 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.

Valuation of Receivables and Payables

The amounts due to/from 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. Standards and Amendments Issued but not yet Adopted

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.

(Expressed in Canadian Dollars)

6. Standards and Amendments Issued but not yet Adopted (cont'd)

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 and IFRS 9, Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective for accounting periods beginning on January 1, 2018. The Company has determined that the adoption of this standard has no impact on its financial statements.

(ii) IFRS 16 – The new standard replaces IFRS 16 "Leases" ("IFRS 16") and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 16. The Company does not expect IFRS 16 to have a significant change to the statements of financial position.

7. Other Receivables

	July 31, 2018	July 31, 2017
GST/HST receivable	$ 2,518	$ 3,062

8. Exploration and Evaluation Assets

	July 31, 2018	July 31, 2017
E&E assets	$ -	$ 23,080

(Expressed in Canadian Dollars)

8. Exploration and Evaluation Assets (cont'd)

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 per share and 475,000 non-voting 5% convertible Series B preferred shares of the Company at a fair value of $1 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% preferred 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.

On April 10, 2015, the Company sold a 25% interests in its Pigeon River mining claim to Hadley Mining Inc. ("Hadley"), a company in which had a common director, for the sum of $9,000. As a result of this transaction, a loss of $2,541 was realized.

On January 19, 2016, the Company sold a 25% interests in its Pigeon River mining claim to another company with a common director for the sum of $9,000. As a result of this transaction, a loss of $2,541 was realized.

No expenditures were incurred on the Pigeon River claims during the years ended July 31, 2018 or 2017 and no further expenditures are budgeted or planned. Management determined that the carrying amount of these claims is unlikely to be recovered and therefore has impaired them to $nil at July 31, 2018.

9. Accounts Payable and Accrued Liabilities

		July 31, 2018		July 31, 2017
Accounts payable	$	25,186	$	29,327
Accrued liabilities		13,881		6,325
Other payables		-		2,432
	$	39,067	$	38,084

Accounts payable and accrued liabilities comprise primarily trade payables incurred in the normal course of business. Included in accounts payables are amounts totaled $13,525 (2017 - $10,474) due to related parties. See Note 14.

10. Share Capital

a. Authorized Share Capital

The Company's authorized share capital consists of:

- An unlimited number of voting common shares, with no par value
- An unlimited number of series A non-voting preferred shares
- An unlimited number of series B non-voting preferred shares
- 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 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.

b. Shares issued on Debt Settlement

On December 30, 2016, the Company issued 3,868,220 common shares with a fair value of $19,341 (at $0.005 per share at the time of issuance) pursuant to the debt settlement agreement; both creditors are related parties. Pursuant to the agreements, the Company settled a total of $193,411 resulting in a gain on settlement of debt of $174,070 which has been included in the statement of income (loss) and comprehensive income (loss).

On December 30, 2016, the Company issued 475,000 common shares with a fair value of $2,375 (at $0.005 per share at the time of issuance) in order to settle accumulated interests on the series B convertible preferred shares. The accumulated interests at the time of issuance amounted to $23,750, resulting in a gain on settlement of debt of $21,375 which has been included in the statement of income (loss) and comprehensive income (loss).

On December 30, 2016, the Company issued 45,500 common shares with a fair value of $228 (at $0.005 per share at the time of issuance) in order to settle accumulated interests on the series A convertible preferred shares. The accumulated interests at the time of issuance amounted to $2,275, resulting in a gain on settlement of debt of $2,047 which has been included in the statement of income (loss) and comprehensive income (loss).

On December 30, 2016, the Company issued 83,320 common shares with a fair value of $417 (at $0.005 per share at the time of issuance) in order to settle accumulated interests on the series C convertible preferred shares. The accumulated interests at the time of issuance amounted to $4,166, resulting in a gain on settlement of debt of $3,749 which has been included in the statement of income (loss) and comprehensive income (loss).

On December 30, 2016, the Company issued 1,040,000 common shares with a fair value of $5,200 (at $0.005 per share at the time of issuance) in order to convert the Series A and B convertible preferred shares into the common shares of the Company. These convertible preferred shares had a reported value of $520,500 at the time of issuance. The difference of $515,300 was reported as contributed surplus.

(Expressed in Canadian Dollars)

10. Share Capital (cont'd)

c. Warrants

There was no outstanding warrant as at July 31, 2018 and 2017.

d. 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 changes in incentive share options outstanding are summarized as follows:

		Fair Value	Number of Options		Weighted Average Exercise Price
Balance at July 31, 2016 and 2017	$	127,000	165,000	$	1.00
Expired on December 28, 2017		(127,000)	(165,000)		1.00
Balance at July 31, 2018	$	-	-	$	-

There was no outstanding stock option as at July 31, 2018.

e. Contributed Surplus

Contributed surplus includes the accumulated fair value of share-based compensation and warrants transferred from options reserve and warrants 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.

f. Series C Preferred Shares

At July 31, 2018 and 2017, there were 83,333 Series C Preferred Shares outstanding which were originally issued for $1.20 per share.

11. Financial Instruments

a. Financial Assets and Liabilities

Information regarding the Company's financial assets and liabilities as at July 31, 2018 is summarized as follows:

		July 31, 2018		July 31, 2017
Financial Liabilities				
At amortized cost				
Bank indebtedness	$	-	$	120
Accounts payable		39,067		38,084
Due to related parties		63,123		42,134
Total Financial Liabilities	$	102,190	$	80,338

(Expressed in Canadian Dollars)

11. Financial Instruments (cont'd)

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 Fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Fair value measurements are those derived from inputs that are unobservable inputs for the asset or liability.

As at July 31, 2018 and 2017, the Company did not have any Levels 2 and 3 financial instruments:

	July 31, 2018	July 31, 2017
Level 2		
Financial liabilities at fair value through profit or loss		
Series C preferred shares liability	$ 100,000	$ 100,000

b. Financial Instrument Risk Exposure

The Company's financial instruments expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives (Note 12).
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 GST/HST receivable, which is due from the Canadian government. As such, the risk of loss on these assets is minimal.

(Expressed in Canadian Dollars)

11. Financial Instruments (cont'd)

b. Financial Instrument Risk Exposure (cont'd)

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, 2018, the Company had no cash. 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.

12. Capital Management

The Company considers its capital to be comprised of shareholders' 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 raise additional amounts as needed.

The Company's capital management object6iveds, policies and processes have remained unchanged during the year ended July 31, 2018. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, and acquire or dispose of assets.

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:

		July 31, 2018		July 31, 2017
Net income (loss) before income taxes	$	(45,476)	$	21,092
Statutory income tax rate		26.5%		26.5%
Expected in tax recovery at statutory income tax rates		(12,051)		5,589
Permanent differences		12,051		(1,000)
Deductible temporary differences		-		(4,589)
Income tax recovery	$	-	$	-

(Expressed in Canadian Dollars)

13. Income Taxes (cont'd)

Temporary differences that give rise to the following deferred tax assets and liabilities at are:

		July 31, 2018		July 31, 2017
Deferred tax assets				
Non-capital loss carry forwards	$	364,363	$	180,000
Mineral property exploration		341,000		341,000
Share issue costs		-		1,000
		705,363		522,000
Unrecognized deferred tax asset		(705,363)		(522,000)
	$	-	$	-

As at July 31, 2018, the Company has Canadian non-capital losses of approximately $700,400 (2017 - $678,000) available for deduction against future Canadian taxable income, the balances of which will expire.

14. Related Party Transactions

The Company's related parties include key management personnel, and companies related by way of directors or shareholders in common.

Due to Related Parties

$1,811 (2017 - $3,390) was due to a company formerly with common officer and director with the Company. The amount was for the Company's working capital.

$61,312 (2017 - $38,744) was due to a former officer and director of the Company. The amount was for the Company's working capital.

During the year ended July 31, 2018, the Company incurred $3,051 in transfer agent fees to a company formerly with common shareholders. The Company owed a total of $13,525 (2017 - $10,474) to this company as at July 31, 2018, and this amount has been included in accounts payable and accrued liabilities.

15. Restatement

The Company has restated the financial statements as at July 31, 2017 and 2016 and for the year ended July 31, 2017 to correct an error in the accounting for the series C preferred shares. The preferred shares are convertible into common shares based 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. Because the number of common shares issuable on conversion is not fixed the series C preferred shares should have been accounted for a liability rather than equity. The financial statements have been restated to record the preferred shares liability at its paid-up capital amount and the dividends accrued have been reflected as a finance expense rather than a charge to equity. The impact of the statement is as follows:

(Expressed in Canadian Dollars)

15. Restatement (cont'd)

Impact on statement of financial position as at July 31, 2016:

		As previously reported		Restatement		As restated
Preferred share liability	$	-	$	100,000	$	100,000
Preferred share capital – equity	$	549,500	$	(29,000)	$	520,500
Deficit	$	(2,710,825)	$	(71,000)	$	(2,781,825)
Shareholders' deficiency	$	(86,804)	$	(100,000)	$	(186,804)

Impact on statement of financial position as at July 31, 2017:

		As previously reported		Restatement		As restated
Preferred share liability	$	-	$	100,000	$	100,000
Preferred share capital – equity	$	29,000	$	(29,000)	$	-
Deficit	$	(2,700,578)	$	(71,000)	$	(2,771,578)
Shareholders' deficiency	$	(54,196)	$	(100,000)	$	(154,196)

Impact on statement of income and comprehensive income for the year ended July 31, 2017:

		As previously reported		Restatement		As restated
Finance expense	$	-	$	4,166	$	4,166
Net and comprehensive income	$	25,258	$	(4,166)	$	21,092
Income per shares	$	0.00	$	0.00	$	0.00

16. Subsequent Events

In September 2018, the Company entered into an assignment and novation agreement with an arm's length private company (the "Assignor"), pursuant to which the Assignor has assigned to the Company the rights and obligations of the Assignor pursuant to a letter agreement (the "LOI") between the Assignor and Blacklist Holdings Inc., a private Washington company. The LOI contemplates a proposed transaction (the "Acquisition") pursuant to which the Company will acquire all the issued and outstanding common shares of Blacklist ("Blacklist Shares") in exchange for common shares of the Company ("Zara Shares"). The Acquisition is expected to constitute a fundamental change under the policies of the Canadian Securities Exchange (the "CSE").

Pursuant to the terms of the LOI, shareholders of Blacklist will receive one Zara Share for each Blacklist Share held at the closing of the Acquisition (the "Closing"). It is anticipated that 80,185,000 Zara Shares will be issued pro rata at a deemed price of $0.50 per Zara Share to the shareholders of Blacklist. In addition, each performance warrant issued and outstanding entitling holders to acquire Blacklist Shares upon meeting certain performance milestones (the "Blacklist Performance Warrants") will be exchanged for one common share purchase warrant of the Company on financially identical terms (the "Replacement Performance Warrants"). It is currently expected that an aggregate 17,000,000 Replacement Performance Warrants will be issued to the holders of Blacklist Performance Warrants.

The LOI sets out certain terms and conditions pursuant to which the Acquisition will be completed. The Acquisition remains subject to certain closing conditions including, without limitation, the (a) completion of customary due diligence, (b) negotiation and execution of a definitive agreement (the "Definitive Agreement"), (c) completion of two concurrent equity financings to raise in aggregate minimum gross proceeds of $5,000,000 and up to $10,000,000, (d) the receipt of all required regulatory and third party approvals and, if applicable, the approval of the shareholders of the Company and Blacklist, respectively, and (e) any other conditions to Closing contained in the Definitive Agreement ((a) through (e), collectively, the "Conditions Precedent"). There can be no guarantees that the Acquisition will be completed as contemplated or at all.

16. Subsequent Events (cont'd)

The Company anticipates that certain of the Zara Shares issued pursuant to the Acquisition may be subject to escrow requirements and hold periods required by CSE policies and applicable securities laws.

Prior to Closing, the Company will consolidate its issued and outstanding share capital on a 31.64303012 old Zara Share for one (1) new Zara Share basis. The Zara Shares to be issued in connection with the Acquisition will be issued on a post-consolidated basis.

Pursuant to the terms of the Assignment Agreement, the Company will, upon the Closing, issue 4,000,000 post-consolidation Zara Shares to the Assignor (or its nominee). In connection with the Acquisition, the Company will also issue 1,250,000 post-consolidation common shares as a finder's fee.

Prior to the Closing, Blacklist will complete a brokered "best efforts" marketed private placement of subscriptions receipts at a price of $0.50 per Subscription Receipt for gross proceeds of up to $6,000,000 (the "Brokered Offering"). If the conditions precedent are completed, satisfied or waived, as the case may be, by December 17, 2018 (the "Outside Date"), each subscription receipt will be automatically exchanged, for no additional consideration and with no further action by the holder, for one Blacklist share immediately prior to Closing. If the conditions precedent are not completed, satisfied or waived, as the case may be, by the Outside Date, the proceeds of the Brokered Offering will be returned to the holders, plus any accrued interest.

Concurrently with the Brokered Offering, Blacklist will also complete a non-brokered financing ("Non-Brokered Offering" and together with the Brokered Offering, the "Concurrent Financings") of up to 8,000,000 subscription receipts (having the same terms as conditions as the subscription receipts issued in connection with the Brokered Financing) for gross proceeds of up to $4,000,000.

Closing of the Concurrent Financings is subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, including the approval of CSE.