IONIC BRANDS CORP.

(FORMERLY ZARA RESOURCES INC.)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
JANUARY 31, 2019 AND 2018

(Unaudited)

(Expressed in Canadian Dollars)

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

Notice of No Auditor Review of Condensed Interim Financial Statements

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

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

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

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 31, 2019
(Unaudited, Expressed in Canadian Dollars)

	Note		January 31, 2019		July 31, 2018
ASSETS					
Current Assets					
Other receivables	7	$	6,464	$	2,518
TOTAL ASSETS		$	6,464	$	2,518
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current Liabilities					
Accounts payable and accrued liabilities	9	$	71,3296	$	39,067
Due to related parties	13		76,931		63,123
			148,260		102,190
Non-Current Liabilities					
Series C preferred shares	10		-		100,000
Total Liabilities			148,260		202,190
Shareholders' Deficiency					
Common share capital	10		1,742,048		1,630,782
Contributed surplus	10		986,600		986,600
Deficit			(2,870,444)		(2,817,054)
Total Shareholders' Deficiency			(141,796)		(199,672)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$	6,464	$	2,518
Subsequent Events	14				

Approved on behalf of the Board of Directors

"John Gorst"	"Austin Gorst"
Director	Director

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

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Unaudited, Expressed in Canadian Dollars)

		Three Months Ended		Six Months Ended	
	Note	January 31, 2019	January 31, 2018	January 31, 2019	January 31, 2018
OPERATING EXPENSES					
Bank charges		$ -	$ 57	$ -	$ 114
Filing and listing fees		8,167	1,950	16,616	7,839
Finance expense		1,134	-	2,383	-
Investor relations and marketing		5,272	-	5,272	
Legal and professional fees	13	-	2,100	3,195	1,175
Office and miscellaneous		5	-	5	
Transfer agent fees	13	21,459	-	23,604	-
Travel and meals expenses		-	-	2,315	-
NET LOSS AND COMPREHENSIVE LOSS		$ (36,037)	$ (4,107)	$ (53,390)	$ (9,128)
Basic and dilute loss per share		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Weighted average number of common shares outstanding Basic and diluted		10,583,147	10,505,508	10,583,147	10,505,508

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

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Unaudited, 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, 2017	10,505,508	$ 1,630,782	83,333	$ -	$ 127,000	$ -	$ 859,000	$ (2,771,578)	$ (154,196)
Stock options expired	-	-	-	-	(127,000)	-	127,000	-	-
Net loss for the period	-	-	-	-	-	-	-	(9,128)	(9,128)
Balance, January 31, 2018	10,505,508	1,630,782	83,333	-	-	-	986,600	(2,780,706)	(163,324)
Net loss for the period	-	-	-	-	-	-	-	(36,348)	(36,348)
Balance, July 31, 2018	10,505,508	1,630,782	83,333	-	-	-	986,600	(2,817,054)	(199,672)
Share issuance for conversion of Series C preferred shares and accrued dividends	1,428,566	111,266	(83,333)	-	-	-	-	-	111,266
Net loss for the period	-	-	-	-	-	-	-	(53,507)	(53,507)
Balance, January 31, 2019	10,505,508	$ 1,742,048	-	$ -	$ -	$ -	$ 986,600	$ (2,870,561)	$ (141,796)

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

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 31, 2019 AND 2018
(Unaudited, Expressed in Canadian Dollars)

	January 31, 2019	January 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (53,390)	$ (9,128)
Items not affecting cash from operations:		
Non-cash dividend	2,383	-
Changes in non-cash working capital items:		
Decrease (increase) in other receivables	(3,946)	2,426
Increase (decrease) in accounts payable and accrued liabilities	41,145	(9,321)
NET CASH USED IN OPERATING ACTIVITIES	(13,808)	(16,023)
CASH FLOWS FROM FINANCING ACTIVIITES		
Loans from related parties	13,808	17,406
NET CASH PROVIDED BY FINANCING ACTIVITIES	13,808	17,406
NET CHANGE IN CASH	-	1,383
CASH (BANK INDEBTEDNESS), BEGINNING OF PERIOD	-	(120)
CASH, END OF PERIOD	$ -	$ 1,263

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

1. Nature of Operations

Ionic Brands Corp. (formerly Zara Resources Inc.) (“Ionic” or “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.

In September 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.

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 18,000,000 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.

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.

1. Nature of Operations (cont'd)

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. See Note 14.

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 interests 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.

As at January 31, 2019, the Company has yet to generate revenues from operations and had a deficit of $2,870,561 (July 31, 2018 - $2,817,054). 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 condensed interim financial statements are prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as of March 29, 2019, 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.

4. 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.

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.

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

Estimation Uncertainty (cont'd)

Share-Based Payments (cont'd)

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.

5. Standards and Amendments Adopted

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 is effective for accounting periods beginning on January 1, 2018. The Company adopted this standard on August 1, 2018 with no impact on its financial statements.

6. Standards and Amendments Issued but not yet Adopted

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.

(Unaudited, Expressed in Canadian Dollars)

7. Other Receivables

	January 31, 2019	July 31, 2018
GST/HST receivable	$ 6,464	$ 2,518

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 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

	January 31, 2019	July 31, 2018
Accounts payable	$ 68,883	$ 25,186
Accrued liabilities	13,829	13,881
	$ 82,712	$ 39,067

Accounts payable and accrued liabilities comprise primarily trade payables incurred in the normal course of business. Included in accounts payables are amounts totaled $23,603 (2017 - $13,525) due to a current director and a former director. See Note 13.

(Unaudited, Expressed in Canadian Dollars)

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. Warrants

There was no outstanding warrant as at January 31, 2019 and July 31, 2018.

c. 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, 2017	$	127,000	165,000	$	1.00
Expired on December 28, 2017		(127,000)	(165,000)		1.00
Balance at July 31, 2018 and January 31, 2019	$	-	-	$	-

There was no outstanding stock option as at January 31, 2019.

d. 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.

(Unaudited, Expressed in Canadian Dollars)

10. Share Capital (cont'd)

e. Series C Preferred Shares

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

On January 23, 2019, all series C preferred shares and its accrued dividends have been converted into common shares of the Company.

11. Financial Instruments

a. Financial Assets and Liabilities

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

		January 31, 2019		July 31, 2018
Financial Liabilities				
At amortized cost				
Accounts payable	$	82,712	$	39,067
Due to related parties		76,931		63,123
Total Financial Liabilities	$	159,643	$	102,190

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 January 31, 2019 and July 31, 2018, the Company did not have any Levels 2 and 3 financial instruments:

		January 31, 2019		July 31, 2018
Level 2				
Financial liabilities at fair value through profit or loss				
Series C preferred shares liability	$	100,000	$	100,000

11. Financial Instruments (cont'd)

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.

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, 2019, 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 objectives, policies and processes have remained unchanged during the three and six months ended January 31, 2019. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, and acquire or dispose of assets.

13. 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 (July 31, 2018 - $1,811) was due to a company formerly with common officer and director with the Company. The amount was for the Company's working capital.

$75,120 (July 31, 2018 - $61,312) was due to a former officer and director of the Company. The amount was for the Company's working capital.

During the three months ended January 31, 2019, the Company incurred $19,661 (January 31, 2018 - $nil) in transfer agent fees to a company formerly with common shareholders, and $1,850 (January 31, 2018 - $nil) in professional fees to a director.

During the six months ended January 31, 2019, the Company incurred $21,806 (January 31, 2018 - $nil) in transfer agent fees to a company formerly with common shareholders, and $3,209 (January 31, 2018 - $nil) in professional fees to a director. The Company owed a total of $20,166 (July 31, 2018 - $13,525) to this company and $3,437 to the director as at January 31, 2019, and these amounts have been included in accounts payable and accrued liabilities.

14. Subsequent Events

(a) On March 4, 2019, the Company announced that its shareholders have approved the acquisition of all of the issued and outstanding common stock (the "Transaction") of Blacklist Holdings, Inc. ("Blacklist"), a private Washington state company. The transaction was approved at an annual general and special meeting of shareholders.

The Blacklist shareholders are expected to receive approximately 86,915,057 common shares in the capital of the Company ("Zara shares") at a deemed price of $0.50 per Zara share on a pro-rata basis. In addition, it is a condition of the completion of the Transaction that the Company and Blacklist complete a "three-cornered" amalgamation (the "Amalgamation") whereby a wholly-owned subsidiary of the Company will amalgamate with a wholly-owned subsidiary of Blacklist ("Blacklist Finco"), whereby every one common share of Blacklist Finco will be exchanged for one Zara share, with an expected aggregate of 14,280,146 Zara shares being issued.

Upon completion of the Transaction, the Company intends to change its name to "Ionic Brands Corp." and have its common shares trade under the new symbol "IONC".

The Company has received conditional approval from the Canadian Securities Exchange ("CSE") with respect to the Transaction.

The Transaction would be a reverse takeover of the Company and upon successful completion of the Transaction, it is anticipated that the Company will retain its listing on the CSE and continue the business of Blacklist.

14. Subsequent Events (cont'd)

(b) On March 22, 2019, the Company completed the acquisition of Blacklist (the "Transaction") and changed its name from "Zara Resources Inc." to "Ionic Brands Corp." As the Transaction is a reverse takeover of the Company, the Company retains its listing on the CSE and continues the business of Blacklist, which becomes a wholly owned subsidiary of the Company. The common shares of the Company will resume trading under a new symbol "IONC". In connection with the Transaction, the Company consolidated its common shares on the basis of one post-consolidation share for each 35.9389 pre-consolidation shares (the "Consolidation") and changed its name to "Ionic Brands Corp.".

In connection with the Transaction, the Company issued 5,250,000 Common Shares to certain finders at a deemed price of $0.50 per Common Share as finder's fees and such Common Shares are subject to a contractual hold period expiring on September 22, 2019. With the completion of the Transaction, the Company has 108,436,715 Common Shares issued and outstanding (on an undiluted basis).

In connection with the completion of the Transaction, the Company's new board of directors are as follows: John Gorst, Andrew Schell, Bryen Salas, Christian Struzan, Austin Gorst, M. Carroll Benton and Brian Lofquist. In addition, the Company's executive management as follows: John Gorst – Chief Executive Officer, Andrew Schell , Chief Strategies Officer, Bryen Salas – President, Christian Struzan – Chief Marketing Officer, Austin Gorst – Vice President, and Scott Manson – Chief Financial Officer