Leo Resources Inc.

Unaudited Interim Financial Statements

For the six months ended January 31, 2014 and 2013

(Expressed in Canadian Dollars)

Management's responsibility for financial reporting

The accompanying financial statements of Leo Resources Inc. (the "Company" or "Leo") were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 4 of the financial statements.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of January 31, 2014 and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Management's assessment of internal control over financial reporting ("ICFR")

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

"Daniel Wettreich"
Chief Executive Officer

NOTICE OF NO AUDITOR REVIEW OF REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Leo Resources Inc.

Unaudited Interim Statement of Financial Position
as at
(Expressed in Canadian Dollars)

	January 31, 2014	July 31, 2013
Assets		
Current Asset		
Cash	$ 38,192	$ 790
HST Recoverable	2,171	-
Prepaid expenses	7,950	-
Due from former parent company *(Note 8)*	24,185	-
	72,498	790
Exploration and Evaluation Costs *(Note 7)*	358,000	-
	$ 430,498	$ 790
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 7,635	$ 5,000
Due to related company *(Note 8)*	5,379	1,000
	13,014	6,000
Shareholder's Equity		
Common Share Capital *(Note 9)*	358,001	1
Preferred Share Capital *(Note 9)*	100,000	-
Contributed Surplus	2,500	7,500
Deficit	(43,017)	(12,711)
Parent Company Investment and Total Equity	417,484	(5,210)
	$ 430,498	$ 790

Going concern *(Note 2)*
Subsequent events *(Note 12)*

Approved on behalf of the Board of Directors:

Daniel Wettreich

________________________ Director

The accompanying notes are an integral part of these financial statements

Leo Resources Inc.

Unaudited Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, except per share amounts)

	Six months ended January 31		Three months ended January 31	
	2014	**2013**	**2014**	**2013**
Operating Expenses				
Bank charges (net)	**$ 56**	**$ -**	**$ (44)**	**$ -**
Filing and listing fees	**6,478**	**-**	**4,234**	**-**
Office and administrative	**15,871**	**-**	**10,571**	**-**
Professional fees	**3,300**	**-**	**1,525**	**-**
Transfer agent fees	**4,601**	**-**	**807**	**-**
Net (loss) and comprehensive (loss) for the period	**$ (30,306)**	**$ -**	**$ (17,093)**	**$ -**
Basic and diluted (loss) per common share	**$ (0.00)**	**$ -**	**$ (0.00)**	**$ -**
Weighted number of common shares outstanding	**13,737,501**	**-**	**13,737,501**	**-**

The accompanying notes are an integral part of these financial statements

Leo Resources Inc.

Unaudited Interim Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Common Share Capital		Preferred Share Capital				
	Number of Shares	Amount	Number of Shares	Amount	Contributed Surplus	Deficit	Total Equity
Issued for cash consideration:							
Common shares issued for cash upon incorporation date of March 18, 2013	1	$ 1	-	$ -	$ -	$ -	$ 1
Issued for cash consideration:							
Expenses assumed by Parent Company *(Note 7)*	-	-			7,500	-	7,500
Net loss for the period	-	-			-	(12,711)	(12,711)
Balance –July 31, 2013	1	1	-	-	7,500	(12,711)	(5, 210)
Issued to Zara as consideration for mineral property acquired	13,737,500	358,000	-	-	-	-	358,000
Preferred shares – Series A - issued to Zara for cash	-	-	100,000	100,000	-	-	100,000
Expenses assumed by former Parent Company *(Note 7)*	-	-	-	-	(5,000)	-	(5,000)
Net loss for the period	-	-	-	-	-	(30,306)	(30,306)
Balance –January 31, 2014	13,737,501	$ 358,000	100,000	$ 100,000	$ 2,500	$ (43,017)	$ 417,484

The accompanying notes are an integral part of these financial statements

Leo Resources Inc.
Unaudited Interim Statement of Cash Flows

(Expressed in Canadian Dollars)

	Six months ended January 31		Three months ended January 31	
	2014	**2013**	**2014**	**2013**
Operating Activities				
Net (loss) for the period	**$ (30,306)**	-	**$ (17,093)**	-
Items not affecting cash				
Expenses assumed by former parent company *(Note 7)*	**(5,000)**	-	**-**	-
Changes in non-cash working capital				
HST recoverable	**(2,171)**	-	**(522)**	-
Prepaid expenses	**(7,950)**	-	**(2,650)**	-
Accrued liabilities	**2,635**	-	**912**	-
Cash Used In Operating Activities	**(42,792)**	-	**(19,353)**	-
Financing Activities				
Due from former parent company *(Note 7)*	**(24,185)**	-	**(1,000)**	-
Due from related company *(Note 7)*	**4,378**	-	**4,378**	-
Proceeds from issuance of Series A Preference Shares	**100,000**	-	**-**	-
Proceeds from issuance of common share (Note 8)	**1**	-	**-**	-
Cash from Financing Activities	**80,194**	-	**3,378**	-
Increase in Cash during the period	**37,402**	-	**(15,975)**	-
Cash – beginning of period	**790**	-	**54,167**	-
Cash – end of period	**$ 38,192**	-	**$ 38,192**	-

The accompanying notes are an integral part of these financial statements

1. Governing Statutes and Nature of Operations

Leo Resources Inc. ("Leo" or "Company") was incorporated on March 18, 2013 in the Province of British Columbia. The Company is engaged in the business of acquisition, exploration and development of mining properties in Canada. . At the period end, Leo is 48.99% owned by GreenBank Capital Inc. and 32.61% owned by Winston Resources Inc., both Canadian public companies. The head office of the Company is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario M5J 2Y5. At July31, 2013, the Company was a wholly-owned subsidiary of Zara Resources Inc ("Zara") a Canadian public company. Following the completion of a plan of arrangement and the acquisition of a property from Zara on August 2, 2013, the Company is no longer a subsidiary of Zara. On August 16, 2013, the Company became a public company with its common shares listed for trading on the CNSX under the symbol "LEO".

2. Going Concern Assumption

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. The use of these principles 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 is in the process of acquiring its first mineral exploration property therefore its exploration of this property and has not commenced. As such, it is unknown whether the property contains reserves that are economically recoverable. As a newly incorporated Company, that is commencing active operations; it incurs operating losses, which casts significant doubt about the Company's ability to continue as a going concern.

The business of mining and 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 property it is acquiring contains mineral reserves or resources that can be economically mined, it is classified as an exploration and evaluation asset. 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 properties, and making the required payments pursuant to mineral property share purchase agreements. The Company has not yet completed any acquisitions and it has yet to generate income and cash flows from its operations. There is also no assurance that the Company will be able to obtain the external financing necessary to explore, develop and bring to commercial production the property that it is acquiring.

3. (a) Statement of Compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC")

These financial statements were authorized for issuance by the Board of Directors of the Company on March 28, 2014.

3. (b) Basis of Presentation

These interim financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value, and have been prepared using the accrual basis of accounting, as explained in the accounting policies set out in Note 4.

These interim 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. Outlined below are those policies considered particularly significant:

Significant Estimates and Judgments
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods as well as the related notes to financial statements. Actual results could differ from those estimates.

The most significant estimates relate to impairment testing. The most significant judgments relate to the determination of the economic viability of a project. In determining these estimates, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. These assumptions are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

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 or common significant influence. Related parties may be Individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount (the amount established and agreed to by the related parties).

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation that arose as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4. Significant Accounting Policies (Continued)

Current Income Taxes
Current income tax assets and liabilities for the current periods 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 current income tax assets and liabilities are measured at income tax rates, which have been enacted or substantively enacted at the reporting date.

Current income taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the applicable taxes are recognized in other comprehensive income or directly in equity.

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

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

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

Deferred income tax assets and liabilities are measured at the expected income tax rates that are expected to apply in the year in which the asset is to be realized or the liability is to be settled. The expected income tax rate utilized is based upon income tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

The deferred income taxes related to equity transactions are recognized directly equity and not in the statement of comprehensive income.

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

Impairment of non-financial assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

4. Significant Accounting Policies (Continued)

Recoverable amount is the higher of fair value less costs to sell 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive income in the period of impairment, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

Exploration and evaluations assets ("E&E")
E&E assets consist of exploration and mining concessions, options and contracts. Acquisition costs, lease costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment.

E&E costs consist of:
- 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.

Loss per share and comprehensive loss per share
The basic loss per share and comprehensive loss per share is computed by dividing the net loss and net comprehensive loss respectively by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as 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 that are used to purchase common shares at the average market price during the period.

Comprehensive income (loss)
Comprehensive income is the change in equity of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners.

Comprehensive income is comprised of net income for the period and other comprehensive income. The standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net income (loss).

The Company had no comprehensive income or loss transactions, other than its net loss, nor has the Company accumulated other comprehensive income during periods that have been presented.

4. Significant Accounting Policies (Continued)

Accounting for stock-based compensation

The Company has adopted IFRS 2, Share Based Payment, for the recognition, measurement, and disclosure of stock-based compensation. The Company's options vest on granting therefore, compensation expense is recognized at that time with the same amount being recorded as contributed surplus. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the current share price, the expected volatility of the underlying shares, the expected dividend yield, and the risk free interest rate for the term of the option. If the options are exercised, contributed surplus will be reduced by the applicable amount. Stock-based compensation calculations have no effect on the Company's cash position.

Equity Settled Share –Based Payment Transactions

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the goods or services are received. The Company measures the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received then the Company measures their fair value, and the corresponding increase in equity by reference to the fair value of the equity instruments issued as payment.

Share Capital

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

Financial Assets and Financial Liabilities

Recognition: The Company initially recognizes loans and advances, deposits and liabilities on the date at which they are originated. All other financial assets and liabilities, including assets and liabilities designated at fair value through profit or loss, are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Valuation of Financial Instruments: The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly; i.e. as prices; or indirectly; i.e., derived from prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Cash, Accrued liabilities and Due to Parent Company are considered Level 1 in the hierarchy.

4. Significant Accounting Policies (Continued)

De-recognition: The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting: Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

Amortized cost measurement: The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Identification and measurement of impairment: At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Company of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Financial Assets and Financial Liabilities

Objective evidence that financial assets, including equity securities, are impaired may include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Company that would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by comparing together loans and receivables with similar risk characteristics.

4. Significant Accounting Policies (Continued)

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Designation at fair value through profit or loss: The Company has designated financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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.

- IFRS 9 Financial Instruments

  IFRS 9, Financial Instruments was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- IAS 32 Offsetting Financial Assets and Liabilities

  IAS 32, this amendment clarifies certain aspects of offsetting and net and gross settlement. The Company has not yet determined the effect of adoption of amendment to IAS 32 on its financial statements.

The Company has not early adopted these standards. The Company is currently assessing the impact the application of these standards may have on the consolidated financial statements of the Company.

5. Financial Risk Management

Financial Risk Management Objectives and Policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial Risks

The Company's main financial risk exposure and its financial risk management policies are as follows:

Market Risk

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

Fair Value Risk

Fair value risk is the potential for fair value fluctuations in the value of a financial instrument. The level of market risk to which the Company is exposed varies depending on market conditions, and expectations of future price and yield movements. The Company believes the carrying amounts of its financial assets and financial liabilities are a reasonable approximation of fair value.

Interest Rate Risk

The savings accounts are at variable rates. Consequently, the Company is exposed to a fluctuation of the interest rate on the market which could vary the interest income on the savings accounts. The Company does not use financial derivatives to decrease its exposure to interest risk.

5. Financial Risk Management (Continued)

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, 2014, the Company had $38,193 in cash. The Company anticipates having sufficient funds after the closing of its plan of arrangement (Note 11) to carry out a limited exploration and acquisition program, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

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

	January 31, 2014		July 31, 2013	
Financial Assets				
Fair value through profit and loss				
Cash	$	38,193	$	790
Due from former parent company *(Note 7)*	$	24,185		-
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$	7,635	$	5,000
Due to related company	$	5,379	$	1,000

6. Capital Management

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of its underlying assets and the funds available to the Company, in order to support the acquisition, exploration and development of E&E and to ensure it continues as a going concern. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the Company.

The Company defines its capital as its shareholder's equity. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long term debt as the Company does not currently generate operating revenues. There is no dividend policy.

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have, and are expected to continue to have, an adverse impact on the ability to secure equity funding. The Company is required to rely on equity financing to raise capital, but its ability to do may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting, but in the absence of any other information management believes that the going concern basis of accounting remains appropriate..

The Company had $59,484 in working capital at January 31, 2014.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable considering the nature and relative size of the Company. The Company is not subject to externally imposed capital requirements.

7. Exploration and Evaluation Assets

Ontario Properties	Percent Interest	Balance at July 31, 2013	Property Acquisition Costs	Exploration Expenditures	Disposal	Balance at January 31, 2014
Riverbank	100%	$ -	$ 358,000	$ -	$ -	$ 358,000
		$ -	$ 358,000	$ -	$ -	$ 358,000

Riverbank

On March 20, 2013, the Company entered into a Purchase Agreement (the "Agreement") with its then Parent Company Zara Resources Inc. ("Zara") as detailed in Note 12. Under the terms of the Agreement, Leo agreed to purchase from Zara, all of Zara's rights, interests, obligations and benefits of the Riverbank property ("Riverbank") for $358,000. The Riverbank property consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1,392 hectares. The claims are subject to a pre-existing 2% NSR payable to Melkior Resources Inc. (TSXV: "MKR").

On August 2, 2013 the Zara Plan was approved by the Supreme Court of British Columbia and the purchase by Leo of Riverbank and the spin off to Zara shareholders was completed. Accordingly Leo is no longer a subsidiary of Zara and the Riverbank property is no longer owned by Zara. Leo was listed on the CNSX on August 16, 2013.

8. Related Party Transactions

At January 31, 2014, an amount of $24,185 is due from former parent company Zara Resources Inc. (July 31, 2013 – Due to former parent of $1,000). In addition, $5,379 is due to related party Winston Resources Inc. at January 31, 2014. The amounts are on demand and have no set repayment terms. During the period ended July 31, 2013, expenses of $7,500 were assumed by Zara and recorded as contributed surplus. During the period ended January 31, 2014, the amount of $5,000 was recorded as a reduction of contributed surplus.

9. Share Capital

(a) The Company's authorized share capital consists of:

(i) an unlimited number of common shares
(ii) an unlimited number of Series A preferred shares – non-voting, non-retractable, non-redeemable without dividend, no par value

9. Share Capital (continued)

(i) **Common Shares Issued**	**Number of Shares**		**Amount**
Inception, March 18, 2013 and July 31, 2013	1	$	1
August, 2013 - Issued to Zara on acquisition of mineral property	13,737,500		358,000
Balance – January 31, 2014	13,737,501	$	358,001

(ii)**Series A Preferred Shares Issued**	**Number of Shares**		**Amount**
August, 2013 - Issued to Zara for cash	100,000	$	100,000
Balance – January 31, 2014	100,000	$	100,000

10. Stock Options

The Company has adopted a stock option plan (the “Plan”). Pursuant to the Plan, the Board of Directors may from time to time in its discretion, and in accordance with the Exchange Requirements, grant non-transferable options to purchase shares to directors, officers, founders, employees, persons engaged to provide investor relations activities and consultants of the Company.

The options granted under the Plan together with all of the Company’s other previously established stock option plans or grants, shall not result at any time in:

(a) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the outstanding Common Shares;
(b) the grant to Insiders within a 12-month period, of a number of Options exceeding 10% of the outstanding Common Shares;
(c) the grant to any once (1) optionee within a twelve month period, of a number of options exceeding 5% of the issues and outstanding Common Shares unless the Company obtains the requisite disinterested shareholder approval;
(d) the grant to all persons engaged by the Corporation to provide investor relations activities, within any twelve-month period, of options reserving for issuance a number of Common Shares exceeding in the aggregate 2% of the Company’s issued and outstanding Common Shares; or

(e) the grant to any one consultant, in any twelve-month period, of Options reserving for issuance a number of Common Shares exceeding in the aggregate 2% of the Company’s issued and outstanding Common Shares.

10. Stock Options (continued)

An optionee shall be entitled to exercise an Option granted to him/her at any time prior to the expiry of the option period and to vesting limitations imposed by the Board of directors at the time such Option is granted.
Exercise prices shall be determined by the Board of Directors. The exercise price shall not be less than the closing price (the "market price") of the shares on the exchange immediately preceding the day on which the Board grants the options and provides such notice to the exchange.

As at January 31, 2014, no stock options were granted.

11. Income taxes

The significant components of the Company's deferred income taxes were as follows:

Deferred income tax assets	**January 31, 2014**	**July 31, 2013**
Benefit of losses	$ 11,400	$ 3,370
Mineral property exploration	2,700	-
Less: Valuation allowance	(14,100)	(3,370)
Deferred Income tax assets	$ -	$ -

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes for the period ended January 31:

	2014	**2013**
Loss before income taxes	$ (30,306)	$ -
Combined statutory rate	26.50%	26.50%
Income tax recovery at statutory income tax rates	$ 8,000	$ -
Tax benefits (not recognized)	$ (8,000)	$ -
Income taxes	$ -	$ -

As at January 31, 2014, the Company has Canadian non-capital losses of approximately $43,000 (July 31, 2013 - $12,700) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

2033	$ 12,700
2034	30,300
	$ 43,000

12. Plans of Arrangement

On March 20, 2013, the Company entered into a Purchase Agreement (the "Agreement") with its parent company Zara Under the terms of the Agreement, the Company agreed to purchase from Zara, all of Zara's rights, interests, obligations and benefits of the Riverbank property ("Riverbank") for $358,000. The Riverbank property consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1,392 hectares. The claims are located in the Kasabonika-McFauld's Greenstone Belt about 550 km northeast of Thunder Bay and 350 north of Geraldton, Ontario.

Riverbank is subject to a pre-existing 2% NSR payable to Melkior Resources Inc.

In consideration, the Company will issue 13,737,500 common shares to Zara at an attributed issue price of $0.02606 per share for a total of $358,000. In addition, as part of the Agreement, the Company will issue at closing to Zara, 100,000 Series A preferred shares for the sum of $100,000 cash.

On March 20, 2013, Zara announced that its board of directors has unanimously approved a proposal to spin-off to its shareholders 100% of its shares in the Company. Following the spin-off, the Company will apply for listing its common shares on the CNSX.

The spin-off will be transacted by way of a statutory plan of arrangement (the "Zara Plan") under the Business Corporations Act (British Columbia). Pursuant to the terms of the Zara Plan, Zara will distribute 13,737,500 common shares of the Company to holders of common shares of the Zara on the Share Distribution Record Date. Each Company shareholder of record on the Share Distribution Record Date will receive 1 common share in the capital of the Company for every 2 common shares in the capital of Zara.

A Special Meeting ("Meeting") of shareholders of Zara was held on May 14, 2013 at which time the Zara shareholders voted to approve the Zara Plan and a continuance of Zara into British Columbia. The spin-off is subject to numerous conditions including court approval, and completion of all regulatory filings. The continuance was granted during the period and will facilitate the spin off under the Business Corporations Act of British Columbia.

On August 2, 2013 the Zara Plan was approved by the Supreme Court of British Columbia and the purchase by the Company of Riverbank and the spin off to Zara shareholders was completed. Accordingly the Company is no longer a subsidiary of Zara and the Riverbank property becomes the property of the Company. The Company was listed on the CNSX on August 16, 2013 under the symbol "LEO."