

**WINSTON RESOURCES INC.**  
208 Queens Quay West, Suite 2506, Toronto, Ontario, M5J 2Y5

**INFORMATION CIRCULAR  
GENERAL PROXY INFORMATION**

**PURPOSE OF SOLICITATION**

**THIS INFORMATION CIRCULAR (THE "INFORMATION CIRCULAR") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF WINSTON RESOURCES INC. ("WINSTON" OR THE "CORPORATION") FOR USE AT THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS ("SHAREHOLDERS") OF WINSTON (THE "MEETING") TO BE HELD ON WEDNESDAY, DECEMBER 5 , 2012, AT 10:00 AM TORONTO TIME, AT THE ALBANY CLUB, 91 KING STREET EAST, TORONTO, ONTARIO, M5C 1G3 AND AT ANY ADJOURNMENT THEREOF FOR THE PURPOSES SET OUT IN THE ACCOMPANYING NOTICE OF MEETING (THE "NOTICE OF MEETING").** Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone by directors or officers of Winston. Arrangements will also be made with brokerage houses and other custodians, nominees, and fiduciaries to forward proxy solicitation material to the beneficial owners of the common shares of the Corporation (the "**Common Shares**") pursuant to the requirements of National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer. The cost of any such solicitation will be borne by Winston.

**VOTING OF PROXIES**

All Common Shares represented at the Meeting by properly executed proxies will be voted and where a choice with respect to any matter to be acted upon has been specified in the instrument of proxy, the Common Shares represented by the proxy will be voted in accordance with such specifications. **IN THE ABSENCE OF ANY SUCH SPECIFICATIONS, THE MANAGEMENT DESIGNEES OF WINSTON, IF NAMED AS PROXY, WILL VOTE IN FAVOUR OF ALL THE MATTERS SET OUT HEREIN.**

**THE ENCLOSED INSTRUMENT OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE MANAGEMENT DESIGNEES OF WINSTON, OR OTHER PERSONS NAMED AS PROXY, WITH RESPECT TO AMENDMENTS TO OR VARIATIONS OF MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. AT THE DATE OF THIS INFORMATION CIRCULAR, WINSTON IS NOT AWARE OF ANY AMENDMENTS TO, OR VARIATIONS OF, OR OTHER MATTERS WHICH MAY COME BEFORE THE MEETING. IN THE EVENT THAT OTHER MATTERS COME BEFORE THE MEETING, THE MANAGEMENT DESIGNEES OF WINSTON INTEND TO VOTE IN ACCORDANCE WITH THE DISCRETION OF SUCH MANAGEMENT DESIGNEES.**

Proxies, to be valid, must be deposited at the proxy department of the Registrar and Transfer Agent of Winston, Capital Transfer Agency Inc. , located at 1101 – 105 Adelaide Street West, Toronto, Ontario M5H 1P9, or faxed to (416) 350-5008 not less than 48 hours, excluding Saturdays, Sundays and holidays, preceding the Meeting or any adjournment of the Meeting.

**APPOINTMENT OF PROXY**

**A SHAREHOLDER HAS THE RIGHT TO DESIGNATE A PERSON (WHO NEED NOT BE A SHAREHOLDER OF WINSTON) OTHER THAN DANIEL WETTREICH AND MARK WETTREICH, THE MANAGEMENT DESIGNEES OF WINSTON, TO ATTEND AND ACT FOR HIM OR HER AT THE MEETING.** Such right may be exercised by inserting in the blank space provided, the name of the person to be designated and deleting therefrom the names of the management designees or by completing another proper instrument of proxy and, in either case, depositing the instrument of proxy with the registrar and transfer agent of Winston, Capital Transfer Agency Inc., at their proxy department located at 1101 – 105 Adelaide Street West, Toronto, Ontario M5H 1P9, or faxed to (416) 350-5008, at any

time, not less than 48 hours, excluding Saturdays, Sundays and holidays, preceding the Meeting or any adjournment of the Meeting.

### REVOCATION OF PROXIES

A shareholder of Winston who has given a proxy may revoke it as to any matter upon which a vote has not already been cast pursuant to the authority conferred by the proxy. A shareholder of Winston may revoke a proxy by depositing an instrument in writing, executed by him or her or his or her attorney authorized in writing:

- (a) with the proxy department of Capital Transfer Agency Inc., located at 1101 – 105 Adelaide Street West, Toronto, Ontario M5H 1P9, or faxed to (416) 350-5008, at any time, not less than 48 hours, excluding Saturdays, Sundays and holidays, preceding the Meeting or any adjournment of the Meeting at which the proxy is to be used;
- (b) at the registered office of Winston, Suite 2506, 208 Queens Quay West, Toronto, Ontario, Canada, M5J 2Y5, at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used; or
- (c) with the chairman of the Meeting on the day of the Meeting or any adjournment of the Meeting.

In addition, a proxy may be revoked by the shareholder of Winston personally attending the Meeting and voting his or her shares.

### ADVICE TO BENEFICIAL HOLDERS OF COMMON SHARES ON VOTING COMMON SHARES

**The information set forth in this section is of significant importance to many Shareholders of Winston, as a substantial number of Shareholders do not hold Common Shares in their own name.** Shareholders who do not hold their shares in their own name (referred to in this Information Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of Winston as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a shareholder by a broker, then, in almost all cases, those Common Shares will not be registered in the shareholder's name on the records of Winston. Such Common Shares will likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the majority of such shares are registered under the name of CDS & Co. (the nominee of The Canadian Depository for Securities Limited, which acts as depository for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, a broker and its agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person.**

Applicable regulatory rules require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered shareholder (the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services Inc. (“**Broadridge**”). Broadridge typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at a meeting. A Beneficial Shareholder receiving a proxy with a Broadridge sticker on it cannot use that proxy to vote Common Shares directly at the Meeting. The proxy must be returned to Broadridge well in advance of the Meeting in order to have the shares voted at such meeting.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting the Common Shares registered in the name of his or her broker (or an agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxy holder for the registered shareholder and vote the Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxy holder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of such meeting.

### APPROVAL OF MATTERS

As used herein, “**special resolution**” means a resolution approved by a minimum majority of 66 2/3% of the votes cast by Shareholders at the Meeting and an “**ordinary resolution**” means a resolution approved by a simple majority of 50% plus one vote cast by Shareholders at the Meeting. Unless otherwise noted, approval of matters to be placed before the Meeting is by an ordinary resolution. The Arrangement Resolution must be approved by a special resolution”.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Winston is authorized to issue an unlimited number of Common Shares, without nominal or par value, of which as at the date hereof 64,524,482 Common Shares are issued and outstanding. The holders of Common Shares of record at the close of business on October 31, 2012 (the “**Record Date**”), are entitled to vote such Common Shares at the Meeting on the basis of one (1) vote for each Common Share held. The articles (the “**Articles**”) of Winston provide that one person present and representing in person and entitled to vote at the Meeting shall constitute a quorum for the transaction of business at the Meeting.

To the knowledge of the directors and senior officers of Winston, as at the date hereof, the only Persons who beneficially own, directly or indirectly, or exercise control or direction over, ten percent (10%) or more of the issued and outstanding Common Shares are the following:

| Name and Municipality of Residence           | Number of Common Shares Currently Owned <sup>(1)</sup> | Percentage of Outstanding Common Shares |
|--|--|---|
| Daniel Wettreich, Ontario <sup>(2)</sup>     | 26,900,000   | 41.69                                   |
| Castle Resources Inc, Ontario <sup>(2)</sup> | 18,000,000   | 27.90                                   |

(1) Based on public filings or information provided to Winston by the holder, shareholdings as of 31st October, 2012

(2) Castle Resources Inc (“**Castle**”) has entered into a Voting Trust Agreement (“**VTA**”) with Daniel Wettreich as the Voting Trustee, whereby Castle has assigned all the voting rights on the 18,000,000 Winston shares owned by Castle to Mr Wettreich. The VTA will terminate upon the earliest to occur of (a) the completion of a distribution of the shares owned by Castle to the Castle shareholders or (b) June 22, 2014. Accordingly, by his exercise of control or direction of the shares owned by Castle, Mr Wettreich has voting control 69.59% of the outstanding common shares

### PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the directors of Winston, the only matters to be dealt with at the Meeting are those matters set forth in the accompanying Notice of Meeting relating to: (i) the presentation of the annual financial statements of Winston for the financial year ended July 31, 2012; (ii) the election of directors of Winston to hold office until the next annual meeting of the Shareholders; (iii) the appointment of auditors of Winston, and authorizing the directors to fix the remuneration to be paid to the auditors; (iv) the approval of the Corporation's stock option plan (the “**Winston Stock Option Plan**”) reserving for grant options to acquire up to a maximum of 10% of the issued and outstanding shares of the Corporation calculated at the time of each stock option grant; (v) to consider and, if thought fit, pass with or without variation, a special resolution (the “**Arrangement Resolution**”) of the Shareholders, authorizing, confirming and approving an arrangement agreement (the “**Arrangement Agreement**”) dated October 12, 2012 among the Corporation, Hadley Mining Inc. (“**Hadley**”) and Zara Resources Inc. (“**Zara**”) and a plan of arrangement (the “**Plan of Arrangement**”) pursuant to the British

Columbia *Business Corporations Act* (the “BCBCA”); and (vi) to consider and, if thought fit, pass an ordinary resolution amending the Articles of the Corporation to allow meetings of Shareholders to be held outside of British Columbia at locations to be determined by the directors from time to time. A copy of the Arrangement Agreement (with the Plan of Arrangement attached thereto) is appended to this Information Circular as Schedule “H”.

## I. FINANCIAL STATEMENTS

At the Meeting, Shareholders will receive and consider the audited financial statements of the Corporation for the period from September 15, 2011 (date of incorporation) to the short period financial year ended July 31, 2012, together with the auditors' report thereon.

## II. ELECTION OF DIRECTORS

The board of directors (the “Board of Directors”) of Winston presently consists of four (4) directors, all of whom are elected annually. It is proposed that the number of directors of Winston for the ensuing year be fixed at four (4). The current directors of Winston shall retire from office at the Meeting, but shall remain in office until the dissolution of the Meeting at which their successors are appointed.

It is proposed that the persons named below (the “Nominees”) will be nominated for election as directors at the Meeting. **IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES OF WINSTON, IF NAMED AS PROXY, TO VOTE FOR THE ELECTION OF SAID PERSONS TO THE BOARD OF DIRECTORS, AS APPLICABLE. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS. HOWEVER, IF FOR ANY REASON ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT DESIGNEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.** Each director elected will hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the bylaws of Winston.

The following information relating to the nominees is based on information received by Winston from the Nominees.

| Name and Municipality of Residence of Proposed Nominee, and Proposed Positions with Resulting Issuer | Principal Occupation for Last Five Years and Positions with Other Reporting Issuers                       | Director of Winston Since | Common Shares Beneficially Owned, Directly or Indirectly Controlled or Directed |
|--|---|---------------------------|---|
| Daniel Wettreich <sup>(1)</sup><br>Chairman, CEO, CFO and Director<br>Toronto, Ontario               | CEO of Churchill Venture Capital, LP and Managing Partner of Churchill Natural Resource Partners, LP      | June 22, 2012             | 26,900,000  |
| Brian Crawford <sup>(1)</sup><br>Director<br>Burlington, Ontario                                     | Director and CFO of GTA Resources and Mining Inc, Falcon Gold Corp and Green Swan Capital Corp            | June 22, 2012             | 1,400,000 <sup>(2)</sup>  |
| Scott F. White <sup>(1)</sup><br>Director<br>Campbellville, Ontario                                  | Director of Parlay Entertainment Inc, Minsud Resources Inc, Taggart Capital Corp, and Triumph Ventures II | June 22, 2012             | 300,000   |
| Mark Wettreich<br>Vice President, Corporate Secretary and Director<br>Dallas, Texas, USA             | Vice President of Churchill Venture Capital, LP and Churchill Natural Resource Partners, LP               | June 22, 2012             | Nil   |

Note: (1) Member of the Audit Committee of Winston

(2) 1,200,000 are owned by Green Swan Capital Corp, a reporting issuer of which Mr. Crawford is a director

## **Management Team and Board of Directors**

**Daniel Wettreich** is a director and the Chairman, CEO and CFO of Winston Resources Inc. He has more than 38 years experience in venture capital, private equity, and management of publicly traded companies. He has been Chairman and CEO of Churchill Venture Capital LP, a Dallas, Texas private equity business, for more than 20 years, and is Managing Partner of Churchill Natural Resource Partners, LP, which invests in small cap mining companies. He has been a director of public companies listed on NASDAQ, the American Stock Exchange, the London Stock Exchange, the AIM Market of the London Stock Exchange, and the Vancouver Stock Exchange, a predecessor to the TSX Venture Exchange. These public companies have been in diverse businesses in internet technologies, oil and gas, retailing, telecommunications, media, and real estate. He has facilitated 13 reverse takeover transactions. He is a graduate of the University of Westminster with a BA in Business.

**Mark Wettreich** is a director and Vice President of Administration and Corporate Secretary of Winston Resources Inc. He is Vice President of Churchill Venture Capital LP and of Churchill Natural Resource Partners, LP which invests in small cap mining companies. Previously, he was President of European Art Gallery, fine art dealers in London, England, and Dallas, Texas. He is a B.A. graduate of the University of Texas.

**Scott F. White** is a director and member of the Audit Committee of Winston Resources Inc. Mr. White is a director and founder of Parlay Games Inc., a company focused on the development and licensing of internet gaming products. Mr. White is a director of several public corporations listed on the TSXV and is active as a shareholder and director of numerous private corporations. Previously Mr. White was the Founding and Managing Partner of Bush, Frankel, & White, Barristers & Solicitors. He has a B.A. from the University of Toronto and an LLB from the University of Windsor.

**Brian Crawford** is a director and member of the Audit Committee of Winston Resources Inc. Mr. Crawford is the Chief Financial Officer of GTA Resources and Mining, and also of Green Swan Capital. He is also a director and the Chief Financial Officer of Falcon Gold Corp. Mr. Crawford is the President of Brant Capital Partners Inc., a financial consulting firm, and previously was a Partner with BDO Dunwoody LLP Chartered Accountants. He obtained his C.A. designation in 1980 and a B.Comm from the University of Toronto in 1982.

## **Cease Trade Orders, Bankruptcies, Penalties, and Sanctions**

Other than as disclosed below, no director or executive officer of the Corporation or proposed director of the Corporation is, as at the date hereof, or has been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any corporation (including the Corporation) that:

- (a) was subject to an order that was issued and which was in effect for a period of more than 30 consecutive days, while the director or executive officer was acting in the capacity as director, chief executive officer or financial officer; or
- (b) was subject to an order that was issued and which was in effect for a period of more than 30 consecutive days, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer.

No director or executive officer of the Corporation, proposed director of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (c) is, at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or

insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (d) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, proposed director of the Corporation, or a shareholder holding a sufficient number of the Corporation's securities to affect materially the control of the Corporation has been subject to:

- (e) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (f) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Scott F. White was an officer and a director of Parlay Entertainment Inc ("**Parlay**"). Parlay was the subject of a cease trade order (a "**CTO**") issued by the Ontario Securities Commission (the "**OSC**") and by the British Columbia Securities Commission on or around May 17, 2011, for failing to file a comparative financial statement for its financial year ended December 31, 2010, and a Form 51-102F1 Management's Discussion and Analysis for the period ended December 31, 2010. Parlay subsequently filed all required financial statements and the CTO was lifted on July 25, 2012. On May 6, 2011, the Parlay appointed BDO Canada Limited ("**BDO**") to assist it in a restructuring and to act as its proposal trustee in the filing of a notice of intention to make a proposal (the "**Proposal**") to its creditors with the Superior Court of Justice, Province of Ontario, pursuant to the *Bankruptcy and Insolvency Act* (Canada). On September 29, 2011, the creditors of the Applicant rejected the Proposal and, as a result Parlay was deemed bankrupt and BDO was appointed Bankruptcy Trustee. On November 29, 2011, the Bankruptcy Trustee executed a letter of intent with a third party in anticipation of a transaction and, based on the letter of intent, the Bankruptcy Trustee offered a new proposal to the creditors (the "**New Proposal**") and on January 19, 2012, the creditors accepted the New Proposal. The New Proposal of Parlay under the *Bankruptcy and Insolvency Act* (Canada) was approved by the Court on February 6, 2012 and Parlay ceased to be deemed bankrupt.

### **Personal Bankruptcies**

No proposed director, officer or promoter of the Corporation is, or has, within the ten years preceding the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **Conflicts of interest**

Certain of the directors of the Corporation currently, or in the future, may serve as directors of, have significant shareholdings in, or provide professional services to other companies and, to the extent that such other companies may participate in ventures with Winston Resources Inc., the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, a director who has such a conflict must disclose, at a meeting of the board, the nature and extent of his interest to the meeting and abstain from voting for or against the approval of such participation. Conflicts will be subject to the procedures and remedies similar to these provided under the BCBCA.

### Other Reporting Issuer Experience

The following table sets forth the names of the directors, officers, and promoters of the Corporation that are, or have been within the last five years, directors, officers, and promoters of other reporting issuers.

| Name of Director, Officer, or Promoter | Name and Jurisdiction of Reporting Issuer | Name of Trading Market <sup>(1)</sup> | Position     | From           | To        |
|--|---|---------------------------------------|--------------|----------------|-----------|
| Daniel Wetreich                        | Camelot Corporation                       | OTC-BB                                | CEO/Director | September 1988 | May 2010  |
| Brian Crawford                         | Green Swan Capital Corp.                  | TSXV                                  | CFO/Director | December 2011  | Present   |
|  | Falcon Gold Corp                          | TSXV                                  | CFO/Director | November 2006  | Present   |
|  | GTA Resources and Mining Inc.             | TSXV                                  | CFO/Director | August 2006    | Present   |
| Scott F. White                         | Parlay Entertainment Inc.                 | TSXV                                  | CEO/Director | November 2006  | July 2012 |
|  | Rattlesnake Ventures Inc.                 | TSXV                                  | CEO/Director | October 2007   | May 2011  |
|  | Minsud Resources Inc.                     | TSXV                                  | CEO/Director | May 2011       | Present   |
|  | Taggart Capital Corp.                     | TSXV                                  | Director     | January 2011   | Present   |
|  | Triumph Ventures II Corp.                 | TSXV                                  | Director     | July 2011      | Present   |

Note:

(1) OTC-BB = Over the Counter Bulletin Board; and TSXV = TSX Venture Exchange.

### III. APPOINTMENT OF AUDITORS

Parker Simone LLP, Chartered Accountants, of Mississauga, Ontario, have been the auditors of the Corporation since June 22, 2012. It is proposed that Parker Simone LLP be re-appointed as auditor of the Corporation; to hold office until the next annual meeting of Shareholders of the Corporation at such remuneration as may be determined by the Board of Directors.

**IF NAMED AS PROXY, THE MANAGEMENT DESIGNEES INTEND TO VOTE THE COMMON SHARES REPRESENTED BY SUCH PROXY FOR THE APPOINTMENT OF PARKER SIMONE AS AUDITORS OF THE CORPORATION AT SUCH REMUNERATION TO BE FIXED BY THE BOARD OF DIRECTORS, UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS PROXY THAT HIS SHARES ARE TO BE WITHHELD FROM VOTING IN THE APPOINTMENTS OF AUDITORS.**

### IV. APPROVAL OF WINSTON STOCK OPTION PLAN -(THE "PLAN")

The purpose of the Plan, is to encourage directors, officers and key employees of the Corporation and its subsidiaries and persons providing ongoing services to the Corporation to participate in the growth and development of the Corporation by providing incentive to qualified parties to increase their proprietary interest in the Corporation by permitting them to purchase Common Shares and thereby encouraging their continuing association with the Corporation. The stock options are non-transferable and will expire upon the sooner of the expiry date stipulated in the particular stock option agreement or after a certain period following the date the optionee ceases to be a qualified party by reason of death or termination of employment. A copy of the proposed Plan is attached to this Information Circular as Schedule A.

The Plan provides that the number of Common Shares which may be made the subject of options cannot exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time. Approximately 6,452,448 Common Shares are available under the Plan. The stock options granted under the Plan together with all of the Corporation's other previously established Plans or grants, shall not result at any time in: (a) the

number of Common Shares reserved for issuance pursuant to stock options granted to Insiders exceeding 10% of the issued and outstanding Common Shares; (b) the grant to Insiders within a 12 month period, of a number of stock options exceeding 10% of the outstanding Common Shares; (c) the grant to any one Optionee within a 12-month period, of a number of stock options exceeding 5% of the issued and outstanding Common Shares unless the Corporation 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 stock options reserving for issuance a number of Common Shares exceeding in the aggregate 2% of the Corporation's issued and outstanding Common Shares; or (e) the grant to any one Consultant, in any twelve-month period, of stock options reserving for issuance a number of Common Shares exceeding in the aggregate 2% of the Corporation's issued and outstanding Common Shares.

The board of directors determines the price per Common Share and the number of Common Shares that may be allotted to each eligible person and all other terms and conditions of the options, subject to the rules of the CNSX, provided however that price per share set by the board of directors must be at least equal to the Discounted Market Price of the Common Shares. **"Discounted Market Price"** means the last per share closing price for the Common Shares on the Exchange before the date of grant of a stock option, less any applicable discount under Exchange Policies. In addition to any resale restrictions under Securities Laws, any stock option granted under the Plan and any Common Shares issued upon the due exercise of any such stock option so granted will be subject to a four-month hold period commencing from the date of grant of the stock option, if the exercise price of the stock option is granted at less than the Market Price. **"Market Price"** means the closing price of the Common Shares on any Exchange (and if listed on more than one Exchange, then the highest of such closing prices) on the last business day prior to the date of grant. In the event that such Common Shares did not trade on such business day, the Market Price shall be the average of the bid and asked prices in respect of such Common Shares at the close of trading on such date.

The term of an option shall be not more than 10 years from the date the option is granted. If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in investor relations activities) or prior to the expiry of the exercise period, whichever is earlier, exercise any stock option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the stock option at the date of such cessation. In the event of the death of an Optionee, the stock option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the stock option Period, whichever is earlier, and then only: (a) by the person or persons to whom the Optionee's rights under the stock option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and (b) to the extent that the Optionee was entitled to exercise the stock option at the date of the Optionee's death.

In the event of (a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or (b) any change in control of the Corporation, the Plan gives the Corporation the power to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including to amend any stock option agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction.

Subject to any required approvals under applicable securities legislation or stock exchange rules, the Corporation may amend or modify the Plan or the terms of any option as the board of directors deems necessary or advisable provided that no such amendment shall adversely affect any accrued and vested rights of an optionee or alter or impair any option previously granted to that optionee, without the consent of the optionee (provided such a change would materially prejudice the optionee's rights under the Plan).



At the Meeting, the Shareholders will be asked to approve the following resolution:

**“BE IT RESOLVED THAT:**

1. The current incentive stock option plan of Winston, as described in the Information Circular of Winston (and as may be amended to comply with the policies of the Exchange from time to time), be and is hereby affirmed, ratified and approved; and
2. Any one (1) director or officer of the Winston be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of Winston or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing.”

**IF NAMED AS PROXY, THE MANAGEMENT DESIGNEES INTEND TO VOTE THE COMMON SHARES REPRESENTED BY SUCH PROXY AT THE MEETING FOR THE APPROVAL OF THE WINSTON STOCK OPTION PLAN, UNLESS THE SHAREHOLDER HAS OTHERWISE DIRECTED IN HIS PROXY.**

**V. THE PLAN OF ARRANGEMENT**

**Purpose of the plan of Arrangement**

The purpose of the Plan of Arrangement is to restructure the Corporation by transferring certain assets (as described below) to its wholly-owned subsidiaries, Hadley Mining Inc (“**Hadley**”) and Zara Resources Inc (“**Zara**”) and to distribute a portion of the common shares of Hadley and Zara to the shareholders of the Corporation. Hadley and Zara will thereby become reporting issuers in the Provinces of British Columbia, Alberta and Ontario. As a result of the foregoing, on the completion of the Plan of Arrangement three companies will exist, the Corporation, Hadley and Zara. The Plan of Arrangement is being proposed to facilitate the separation of the Corporation’s current business activities into its constituent parts to reflect the different resource activities that are intended to be pursued by the Corporation, Hadley and Zara.

**Details of the plan of Arrangement**

The Plan of Arrangement will occur by statutory arrangement under Division 5 of Part 9 of the British Columbia Business Corporation Act (the “**BCBCA**”) involving the Corporation and the wholly-owned subsidiaries of the Corporation, Hadley and Zara. The principle features of the Plan of Arrangement are summarized below, and the following is qualified in its entirety by reference to the full text of the Arrangement Agreement and the Plan of Arrangement, which are incorporated by reference into this Information Circular, and copies of which are attached hereto as Schedule “H”. These items may also be reviewed at [www.sedar.com](http://www.sedar.com) under the Corporation’s profile.

The Plan of Arrangement shall become effective under the BCBCA on the business day following the date of the Final Order (the “**Effective Date**”). Pursuant to the Arrangement Agreement, subject to the satisfaction or waiver of all conditions set out therein, on the Effective Date the following shall occur:

1. Respecting the Plan of Arrangement transactions applicable to Hadley:
  - (i) The Corporation shall transfer to Hadley all of its rights, title and interest in the Airborne Survey at its cost of \$160,000,
  - (ii) Hadley shall repay a \$50,000 loan from Winston relating to that certain purchase agreement between 2212150 Ontario Inc (operating as Vanex Exploration) and Hadley, whereby Hadley acquired a 1.5% NSR on Etamame for \$50,000,
  - (iii) the Corporation shall pay to Hadley the cash sum of \$100,000,

(iv) Hadley shall issue 25,000,000 common shares in the capital of Hadley, of which approximately 2,580,979 Hadley common shares (the “**Hadley Distribution Shares**”) shall be immediately transferred to Shareholders, on a pro rata basis, as a dividend in kind. The Hadley Distribution Shares will be distributed on the basis of one (1) common share of Hadley for every twenty five (25) shares of the Corporation. Shareholders who own less than 25 shares will not receive any Hadley Distribution Shares pursuant to the dividend;

2. Respecting the Plan of Arrangement transactions applicable to Zara

(i) CNRP Mining Inc (“**CNRP**”), a wholly owned subsidiary of the Corporation, shall transfer to Zara of all its rights, title and interest to the Green Swan-Melkior Agreement (as defined below) at its cost of \$300,000

(ii) the Corporation shall pay to Zara the cash sum of \$100,000,

(iii) Zara shall issue 25,000,000 common shares in the capital of Zara, of which approximately 2,580,979 Zara common shares (the “**Zara Distribution Shares**”) shall be immediately transferred to Shareholders, on a pro rata basis, as a dividend in kind. The Zara Distribution Shares will be distributed on the basis of one (1) common share of Zara for every twenty five (25) shares of the Corporation. Shareholders who own less than 25 shares will not receive any Zara Distribution Shares pursuant to the dividend.

(iv) Zara shall issue and deliver to CNRP a 10% Promissory Note if expenditures of \$235,000 are made on the Riverbank property and Brokeback property pursuant to the Green Swan-Melkior Agreement (the “**2012 Work Program**”). If the 2012 Work Program is not completed then such contingent consideration will not be due.

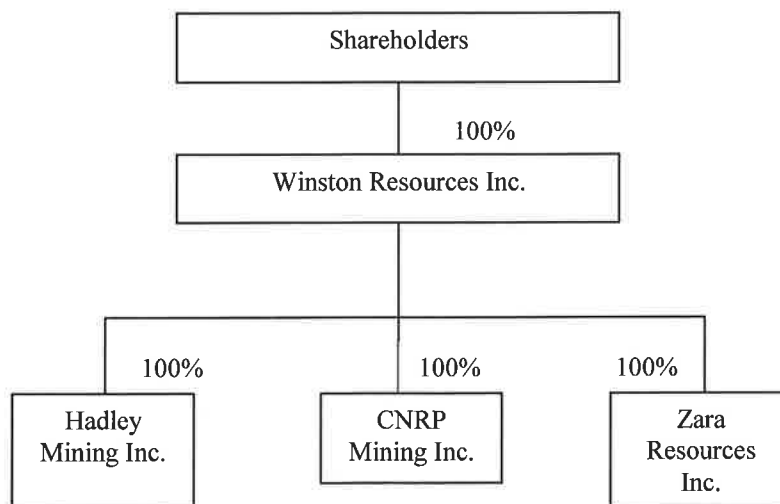
The Corporation expects that following completion of the Plan of Arrangement, Hadley will pursue exploration activities in respect of the Etamame mineral claims and Zara will pursue exploration activities in respect of the Riverbank and Broke Back mineral claims.

The corporate headquarters of each of Hadley and of Zara is located at Suite 2506, 208 Queens Quay West, Toronto, Ontario, M5J 2Y5.

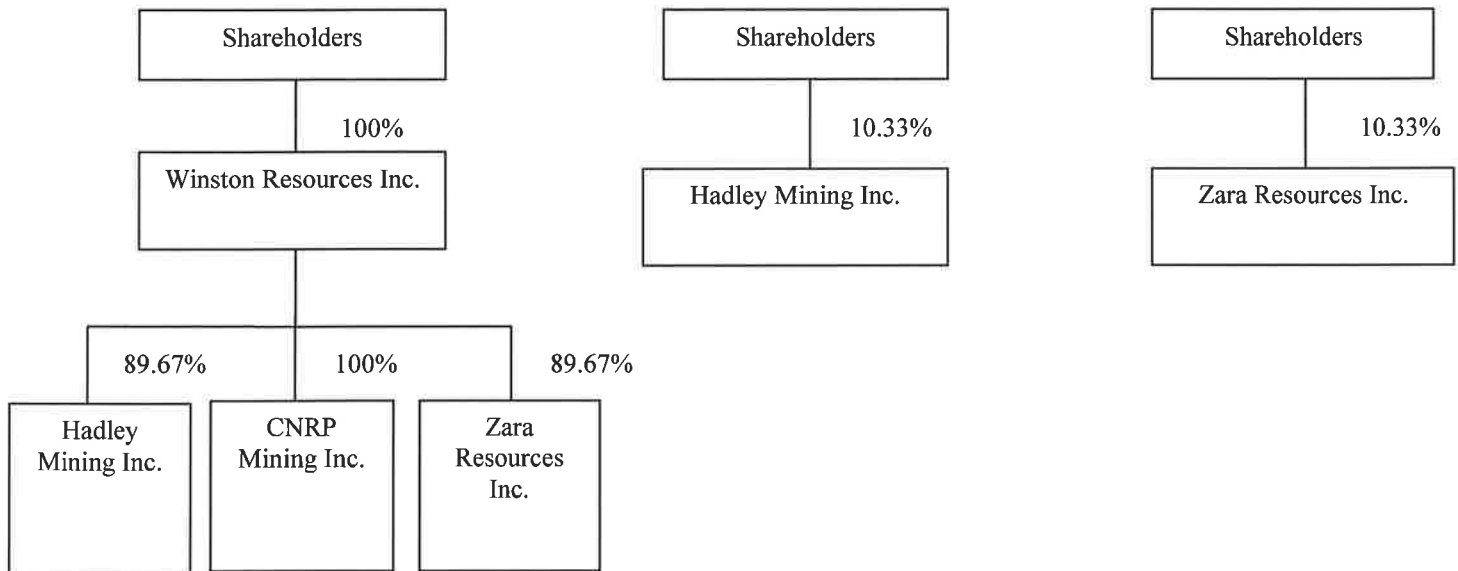
**Corporate Structure**

Presented below is the anticipated corporate structure of the Corporation before and after completion of the Plan of Arrangement:

(a) Corporate structure prior to the Plan of Arrangement:



(b) Corporate structure immediately following completion of the Plan of Arrangement:



#### Reasons for the Arrangement

The decision to proceed with the Arrangement was based on the following primary determinations:

- (a) The Corporation's current business focus is on mining exploration of its 100% owned Elmtree Gold Project in New Brunswick, Canada, as well as the evaluation of other mining properties of interest, and if deemed suitable, acquisitions of same in North America. The establishment of Hadley and Zara Resources Inc will enable those entities to focus on managing and developing their respective properties, and will facilitate separate development strategies for these businesses going forward, and
- (b) as a result of the Arrangement, Hadley and Zara will each become reporting issuers in British Columbia, Ontario and Alberta, and subject to the approval of the Canadian National Stock Exchange (the "CNSX"), are expected to be listed for trading on the CNSX.

#### Fairness of the Arrangement

- (a) The Plan of Arrangement was determined to be fair to the Shareholders by the Board based upon the following factors, among others:
- (b) the procedures by which the Arrangement will be approved, including the requirement for approval by special resolution, being two-thirds of the vote, and approval by the Court after a hearing;
- (c) the benefits to Hadley and Zara of becoming publicly listed CNSX reporting issuers as permitted by applicable securities laws;
- (d) the opportunity for any Shareholders who are opposed to the Arrangement to exercise their rights of dissent in respect of the Arrangement and to be paid fair value for their Common Shares in accordance with the BCBCA, to the extent applicable to dissenters' rights; and
- (e) the Shareholders are not required to sell or exchange their Common Shares.

### **Authority of the Board**

By passing the Arrangement Resolution, the Shareholders will also be giving authority to the Board to use its best judgment to proceed with and cause the Corporation to complete the Arrangement without any requirement to seek or obtain any further approval of the Shareholders. The Arrangement Resolution also provides that the Plan of Arrangement may be amended by the Board before or after the Meeting without further notice to the Shareholders. The Board has no intention to amend the Plan of Arrangement as of the date of this Information Circular, however, it is possible that the Board may determine in the future that it is appropriate that amendments be made.

### **Conditions to the Arrangement**

The Arrangement Agreement provides that the Plan of Arrangement will be subject to the fulfillment of certain conditions, including the following:

- (a) the Arrangement Agreement must be approved by the Shareholders at the Meeting;
- (b) the Plan of Arrangement must be approved by the Court in the manner referred to under “Court Approval of the Arrangement”;
- (c) all other consents, orders, regulations and approvals, including regulatory and judicial approvals and orders, required, necessary or desirable for the completion of the Arrangement must have been obtained or received, each in a form acceptable to the Corporation, Hadley and Zara ; and
- (d) the Arrangement Agreement must not have been terminated.

If any condition set out in the Arrangement Agreement is not fulfilled or performed, the Arrangement Agreement may be terminated, or, in certain cases, one or more of the parties thereto, as the case may be, may waive the condition in whole or in part. Management of the Corporation believes that all material consents, orders, regulations, approvals or assurances required for the completion of the Arrangement will be obtained in the ordinary course upon application thereof.

### **Recommendation of the Board**

After reviewing all of the foregoing factors, the Board unanimously determined that the Arrangement is: (i) in the best interests of the Corporation and is fair to Shareholders; and (ii) the Board recommends that Shareholders vote in favor of the Arrangement Resolution.

### **Approval by the Shareholders of the Corporation**

The Arrangement Resolution must be approved by special resolution, being at least two-thirds of the votes cast by the Shareholders present in person or by proxy at the Meeting. Notwithstanding the foregoing, the Arrangement Resolution will authorize the Board, without further notice, consent or approval of the Shareholders, subject to the terms of the Arrangement, to amend the Arrangement Agreement, and to decide not to proceed with the Arrangement at any time prior to the Arrangement becoming effective pursuant to the provisions of the BCBCA.

### **Approval by the Shareholders of Hadley and Zara**

The Corporation, being the sole shareholder of all shares in the capital of Hadley and Zara will approve the Plan of Arrangement by consent resolutions.

## **Court Approval of the Arrangement**

The Plan of Arrangement as structured requires the approval of the Court. Assuming the Arrangement Resolution is approved by the Shareholders at the Meeting, the hearing for the order (the “**Final Order**”) of the Court approving the Plan of Arrangement is scheduled to take place at 10 am (Vancouver time) on December 5, 2012 at the Courthouse located at 800 Smith Street, Vancouver, B.C., or at such other date and time as the Court may direct. At this hearing, any security holder, director, auditor or other interested party of the Corporation who wishes to participate or to be represented or present evidence or argument may do so, subject to filing an appearance and satisfying certain other requirements. A draft Notice of Hearing for the Final Order is attached as Schedule F. Anyone who would like to attend the court hearing for the Final Order should contact Mark Wettreich, Secretary of the Corporation either by telephone at (416) 628-9879 or by email to mw@WinstonResourcesInc.com. The Court has broad discretion under the BCBCA when making orders in respect of arrangements and the Court may approve the Arrangement as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court believes to be suitable. The Court, in hearing the application for the Final Order, will consider, among other things, the fairness of the terms and conditions of the Arrangement to the Shareholders.

## **Proposed Timetable for the Plan of Arrangement**

The anticipated timetable for the completion of the Plan of Arrangement is as follows:

| <b>Event</b>  | <b>Date</b>                  |
|---|------------------------------|
| Shareholder Meeting                                   | December 5, 2012             |
| Share Distribution Record Date                        | Record date of meeting       |
| Final Court Approval                                  | On or about December 5, 2012 |
| Effective date of the Arrangement                     | On or about December 5, 2012 |
| Mailing of Certificates for Shares of Hadley and Zara | To be determined             |

Notice of the actual Share Distribution Record Date and the effective date of the Plan of Arrangement will be given to the Shareholders through one or more press releases. The Effective Date of the Plan of Arrangement will be the date upon which the Arrangement becomes effective under the BCBCA.

## **Relationship between the Corporation and Hadley and Zara after the Plan of Arrangement**

Prior to and following the completion of the Arrangement, Hadley and Zara will have the following common directors: Daniel Wettreich, Mark Wettreich, and Scott White.

## **Resale of Shares Issued Pursuant to the Arrangement**

The issue of Hadley shares and Zara shares pursuant to the Plan of Arrangement will be made pursuant to exemptions from the registration and prospectus requirements contained in applicable securities laws. Under such applicable securities laws, the Hadley shares and Zara shares may be resold in Canada without hold period restrictions. The foregoing discussion is only a general overview of the requirements of Canadian securities laws for the resale of the Hadley shares and the Zara shares received upon completion of the Plan of Arrangement. All holders of such shares are urged to consult with their own advisors to ensure compliance with applicable securities requirements upon resale.

## **Expenses of the Arrangement**

Pursuant to the Arrangement Agreement, the costs relating to the Plan of Arrangement, including without limitation, financial, advisory, accounting and legal fees will be borne by the Corporation.

## **Text of the Arrangement Resolution**

The complete text of the Arrangement Resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is substantially as follows:

“BE IT HEREBY RESOLVED as a Special Resolution of the Shareholders that:

1. The entering into, execution and delivery of an Arrangement Agreement and Plan of Arrangement (the “**Arrangement Agreement**”) among the Corporation, Hadley Mining Inc. and Zara Resources Inc. is hereby approved and confirmed.

2. Notwithstanding that this resolution has been duly passed by the Shareholders, approval is hereby given to the board of directors of Corporation to amend the terms of the Arrangement Agreement in any manner, to the extent permitted by the Arrangement Agreement and subject to its terms, the execution of same being conclusive evidence of approval of such amendments; to determine not to proceed with the Arrangement; and, to revoke this resolution at any time prior to the effective date of the Arrangement.

3. The Corporation is authorized and directed to fully perform its obligations under the Arrangement Agreement and to carry out the Arrangement as set out in the Plan of Arrangement, as may be amended, included therein, including the authorization of issuance of any securities and the taking or omission from taking of any further action. Any one or more directors or officers of the Corporation be and are hereby authorized, for and on behalf of the Corporation, to execute and deliver any documents, agreements and instruments and to perform all such other acts and things in such person's opinion as may be necessary or desirable to give effect to the provisions of this Special Resolution, the Arrangement Agreement, and the matters contemplated by the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments and the doing of any such act or thing.”

**IF NAMED AS PROXY, THE MANAGEMENT DESIGNEES INTEND TO VOTE THE COMMON SHARES REPRESENTED BY SUCH PROXY AT THE MEETING IN FAVOUR OF THE SPECIAL RESOLUTION OF SHAREHOLDERS APPROVING THE ARRANGEMENT.**

#### **Dissent Rights to the Arrangement**

Any shareholder of the Corporation may send notice of dissent, under Division 2 of Part 8, to the Corporation in respect of the Arrangement Resolution. Non-Registered Shareholders who wish to dissent should contact their broker or other intermediary for assistance with the Dissent Right. The Dissent Right is summarized below, but the Shareholders of the Corporation are referred to the full text of Sections 237 to 247 of the BCBCA set out in Schedule G attached to this Information Circular and may consult their legal counsel for a complete understanding of the Dissent Right under the BCBCA. A Dissenting Shareholder who wishes to exercise his or her Dissent Right must give written notice of dissent to the Corporation by depositing such notice of dissent with the Corporation, or by mailing it to the Corporation by registered mail at its head office at 208 Queens Quay West, Suite 2506, Toronto Ontario M5J 2Y5 marked to the attention of the Secretary not later than the close of business on the day that is two business days before the Meeting, being close of business on December 2, 2012. A Shareholder of the Corporation who wishes to dissent must prepare a separate notice of dissent for (i) the Registered Shareholder, if the Shareholder of the Corporation is dissenting on its own behalf and (ii) each person who beneficially owns Common Shares of the Corporation in the Shareholder's name and on whose behalf the Beneficial Shareholder is dissenting. To be valid, a notice of dissent must:

- (a) identify in each notice of dissent the person on whose behalf dissent is being exercised;
- (b) identify whether the dissent is to the Arrangement Resolution;
- (c) set out the number of Common Shares in respect of which the Shareholder of the Corporation is exercising the Dissent Right (the “**Notice Shares**”), which number cannot be less than all of the Common Shares held by the Beneficial Shareholder on whose behalf the Dissent Right is being exercised;
- (d) if the Notice Shares constitute all of the shares of which the Dissenting Shareholder is both a Registered Shareholder and Beneficial Shareholder and the Dissenting Shareholder owns no other Common Shares as a Beneficial Shareholder, a statement to that effect;

(e) if the Notice Shares constitute all of the Common Shares of which the Dissenting Shareholder is both a Registered Shareholder and Beneficial Shareholder but the Dissenting Shareholder owns other Common Shares as a Beneficial Shareholder, a statement to that effect, and

- (i) the names of the Registered Shareholders of those other Common Shares,
- (ii) the number of those other Common Shares that are held by each of those Registered Shareholders, and
- (iii) a statement that Notices of Dissent are being or have been sent in respect of all those other Common Shares;

(f) if dissent is being exercised by the Dissenting Shareholder on behalf of a Beneficial Shareholder who is not the Dissenting Shareholder, a statement to that effect, and

- (i) the name and address of the Beneficial Shareholder, and
- (ii) a statement that the Dissenting Shareholder is dissenting in relation to all of the Common Shares beneficially owned by the Beneficial Shareholder that are registered in the Dissenting Shareholder's name.

The giving of a Notice of Dissent does not deprive a Dissenting Shareholder of his or her right to vote at the Meeting on the Arrangement Resolution. A vote against the Arrangement Resolution or the execution or exercise of a proxy does not constitute a Notice of Dissent. A Shareholder is not entitled to exercise a Dissent Right with respect to any Common Shares if the Shareholder votes (or instructs or is deemed, by submission of any incomplete proxy, to have instructed his or her proxy holder to vote) in favour of the Arrangement Resolution. A Dissenting Shareholder, however, may vote as a proxy for a Shareholder whose proxy required an affirmative vote, without affecting his or her right to exercise the Dissent Right. If the Corporation intends to act on the authority of the Arrangement Resolution, it must send a notice (the “**Notice to Proceed**”) to the Dissenting Shareholder promptly after the later of:

- (a) the date on which the Corporation forms the intention to proceed, and
- (b) the date on which the Notice of Dissent was received.

If the Corporation has acted on the Arrangement Resolution it must promptly send a Notice to Proceed to the Dissenting Shareholder. The Notice to Proceed must be dated not earlier than the date on which it is sent and state that the Corporation intends to act or has acted on the authority of the Arrangement Resolution and advise the Dissenting Shareholder of the manner in which dissent is to be completed. On receiving a Notice to Proceed, the Dissenting Shareholder is entitled to require the Corporation to purchase all of the Common Shares in respect of which the Notice of Dissent was given. A Dissenting Shareholder who receives a Notice to Proceed, and who wishes to proceed with the dissent, must send to the Corporation within one month after the date of the Notice to Proceed:

- (a) a written statement that the Dissenting Shareholder requires the Corporation to purchase all of the Notice Shares;
- (b) the certificates representing the Notice Shares; and
- (c) if dissent is being exercised by the Shareholder on behalf of a Beneficial Shareholder who is not the Dissenting Shareholder, a written statement signed by the Beneficial Shareholder setting out whether the Beneficial Shareholder is the Beneficial Shareholder of other Common Shares and if so, setting out

- (i) the names of the Registered Shareholders of those other Common Shares,
- (ii) the number of those other Common Shares that are held by each of those Registered Shareholders, and

- (iii) that dissent is being exercised in respect of all of those other Common Shares, whereupon the Corporation is bound to purchase them in accordance with the Notice of Dissent

The Corporation and the Dissenting Shareholder may agree on the amount of the payout value of the Notice Shares and in that event, the Corporation must either promptly pay that amount to the Dissenting Shareholder or send a notice to the Dissenting Shareholder that the Corporation is unable lawfully to pay Dissenting Shareholders for their shares as the Corporation is insolvent or if the payment would render the Corporation insolvent. If the Corporation and the Dissenting Shareholder do not agree on the amount of the payout value of the Notice Shares, the Dissenting Shareholder or the Corporation may apply to the Court and the Court may:

- (a) determine the payout value of the Notice Shares or order that the payout value of the Notice Shares be established by arbitration or by reference to the registrar or a referee of the Court;
- (b) join in the application each Dissenting Shareholder who has not agreed with the Corporation on the amount of the payout value of the Notice Shares; and
- (c) make consequential orders and give directions it considers appropriate.

Promptly after a determination of the payout value of the Notice Shares has been made, the Corporation must either pay that amount to the Dissenting Shareholder or send a notice to the Dissenting Shareholder that the Corporation is unable lawfully to pay Dissenting Shareholders for their shares as the Corporation is insolvent or if the payment would render the Corporation insolvent if the Dissenting Shareholder receives a notice that the Corporation is unable to lawfully pay Dissenting Shareholders for their Common Shares, the Dissenting Shareholder may, within 30 days after receipt, withdraw his or her Notice of Dissent. If the Notice of Dissent is not withdrawn, the Dissenting Shareholder remains a claimant against the Corporation to be paid as soon as the Corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the Corporation but in priority to the Shareholders. Any notice required to be given by the Corporation or a Dissenting Shareholder to the other in connection with the exercise of the Dissent Right will be deemed to have been given and received, if delivered, on the day of delivery, or, if mailed, on the earlier of the date of receipt and the second business day after the day of mailing, or, if sent by fax or other similar form of transmission, the first business day after the date of transmittal.

A Dissenting Shareholder who:

- (a) properly exercises the Dissent Right by strictly complying with all of the procedures (“**Dissent Procedures**”) required to be complied with by a Dissenting Shareholder, will cease to have any rights as a Shareholder other than the right to be paid the fair value of the Common Shares by the Corporation in accordance with the Dissent Procedures, or
- (b) seeks to exercise the Dissent Right, but who for any reason does not properly comply with each of the Dissent Procedures required to be complied with by a Dissenting Shareholder loses such right to dissent.

A Dissenting Shareholder may not withdraw a Notice of Dissent without the consent of the Corporation. A Dissenting Shareholder may, with the written consent of the Corporation, at any time prior to the payment to the Dissenting Shareholder of the full amount of money to which the Dissenting Shareholder is entitled, abandon such Dissenting Shareholder's dissent to the Arrangement giving written notice to the Corporation, withdrawing the Notice of Dissent, by depositing such notice with the Corporation, or mailing it to the Corporation by registered mail, at its head office at 208 Queens Quay West, Suite 2506, Toronto, Ontario M5J 2Y5. The Shareholders who wish to exercise their Dissent Right should carefully review the dissent procedures described in Sections 237 to 247 of the BCBCA and seek independent legal advice, as failure to adhere strictly to the Dissent Right requirements may result in the loss of any right to dissent.

Information concerning the new two issuers, Hadley and Zara, that would result from the completion of the proposed Plan of Arrangement appears below under “Information Concerning Hadley” and “Information Concerning Zara”, respectively.



## VI. MEETING LOCATIONS

Although management and the majority of shareholders of the Corporation are located in Ontario the Corporation is required by its incorporating statute, the BCBCA, to hold Shareholder's meetings within British Columbia unless:

- (a) a location outside of British Columbia is provided for in Winston's Articles;
- (b) its Articles do not restrict the approval of a meeting location outside of British Columbia and such a location is approved by a resolution required by the Articles for that purpose or, alternatively, by an ordinary resolution; or,
- (c) the location for the meeting is approved in writing by the registrar of the BCBCA before the meeting is held.

Since neither option (a) nor (b) above apply to Winston, in order for Winston to hold the Meeting outside of British Columbia, it was necessary for Winston to obtain specific permission from the registrar of the BCBA. This will be necessary each time a shareholder's meeting is held unless Winston's Articles are amended.

Since the interests of the Corporation are best served by being permitted to hold meetings in the place most convenient to management and its Shareholders, Shareholders will be asked at the Meeting to consider, and if thought appropriate, to pass an ordinary resolution (the "Amendment Resolution") to approve a special resolution to amend the Articles to allow shareholder meetings to be held in Ontario. The text of the Amendment Resolution is as follows,

"BE IT RESOLVED THAT:

- i) The Articles of the Corporation be amended by inserting the following:

"10.10 Meetings of the shareholders may be held outside of British Columbia, at such locations as are determined by the directors from time to time.";

- ii) Any one (1) director or officer of the Winston be authorized to make all such arrangements, to do all acts and things and to sign and execute all documents and instruments in writing, whether under the corporate seal of Winston or otherwise, as may be considered necessary or advisable to give full force and effect to the foregoing."

**IF NAMED AS PROXY, THE MANAGEMENT DESIGNEES INTEND TO VOTE THE COMMON SHARES REPRESENTED BY SUCH PROXY AT THE MEETING FOR THE APPROVAL OF THE FOREGOING AMENDMENT, UNLESS THE SHAREHOLDER HAS OTHERWISE DIRECTED IN HIS PROXY.**

### STATEMENT OF EXECUTIVE COMPENSATION

The Corporation's Statement of Executive Compensation, in accordance with the requirements of Form 51-102F6 *Statement of Executive Compensation*, is set forth below, which contains information about the compensation paid to, or earned by, the Corporation's Chief Executive Officer and Chief Financial Officer and each of the other three most highly compensated executive officers of the Corporation earning more than CDN\$150,000.00 in total compensation for the financial year ended July 31, 2012 (the "Named Executive Officers" or "NEO's"). Based on the foregoing, on an annualized basis, Daniel Wettreich, Chairman of the Board, Chief Executive Officer and Chief Financial Officer is the Corporation's only NEO as at July 31, 2012.

## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Review Process

The directors oversee an annual review of director and executive compensation to ensure development of a compensation strategy that properly aligns the interests of directors and executives with the long-term interests of the Corporation and its Shareholders. The directors review on an annual basis the cash compensation, performance and overall compensation package for each NEO and determines the base management fee, bonus and participation in share compensation arrangements for each NEO. In making its decision, the directors discuss various factors with both Management and peers in the industry in respect of compensation levels for the NEO's.

### Objectives of the Compensation Plan

The objectives of the Corporation's compensation program are to attract, hold and inspire performance of members of Management of a quality and nature that will enhance the sustainable growth of the Corporation. To determine compensation payable, the directors review compensation paid for directors and officers of companies of similar business, size and stage of development and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and NEO's while taking into account the financial and other resources of the Corporation. The annual salaries for NEOs are designed to be comparable to executive compensation packages for similar positions at companies with similar financial, operating and industrial characteristics. The NEOs will be paid an annual salary that also takes into account his or her existing professional qualifications and experience. The NEOs' performances and salaries are to be reviewed periodically on the anniversary of their appointment to their respective officer-ships with the Corporation. Increases in salary are to be evaluated on an individual basis and are performance and market-based. The directors determine and adjust, year to year; the relative weighting of each form of compensation discussed above in a manner which best measures the success of the Corporation and its NEO's.

### Elements of Executive Compensation

The Corporation's executive compensation program is based on the objectives of: (a) recruiting and retaining the executives critical to the success of the Corporation; (b) providing fair and competitive compensation; (c) balancing the interests of Management and Shareholders; and (d) rewarding performance, on the basis of both individual and corporate performance.

For the financial year ended July 31, 2012, the Corporation's executive compensation program consisted of the following elements:

- (a) a base management services fee (a **“Short-Term Incentive”**); and
- (b) a long-term equity compensation consisting of stock options granted under the Corporation's stock incentive plan (each, a **“Long-Term Incentive”**).

The specific rationale and design of each of these elements are outlined in detail below.

| <b>ELEMENT OF COMPENSATION</b>                                 | <b>SUMMARY AND PURPOSE OF ELEMENT</b>  |
|--|--|
| <b>Short-Term Incentive Plan Base Management Services Fee:</b> | <p>Executive annual management fees are set at a level that is competitive with compensation for executive officers of peer group companies and having regard to the potential longer term compensation provided by the Option Plan. The Board reviews NEO salaries at least annually.</p> <p>In determining the base management fee to be paid to a particular NEO, the Compensation Committee and Board also considers the particular responsibilities related to the position, the experience level of the NEO, and his or her past performance at the Corporation.</p> |

**Other Compensation (Perquisites):**  
**Long-Term Incentive Plan Stock Options:**

There are currently no other forms of compensation. The granting of options to purchase common shares of the Corporation are designed to encourage the NEOs to own an interest in the Corporation and therefore tie their long-term interests to those of the shareholders of the Corporation. In determining individual grants of options, the Board consider factors such as: the performance and contributions to the success of the Corporation, the relative position of the individual, the years of service of the individual and past grants of options. No specific weightings are assigned to each factor, but rather, a subjective determination is made based on a general assessment of performance of the individual relative to such factors.

**Stock Options**

During the financial year ended July 31, 2012, stock options were granted to the Named Executive Officers as follows:

| <b>Name of Officer</b> | <b>Title of Officer</b>                               | <b>Number of Stock Options</b> | <b>Exercise Price (\$)</b> |
|------------------------|---|--------------------------------|----------------------------|
| Daniel Wettreich       | Chairman, CEO and CFO                                 | 3,000,000                      | \$0.25                     |
| Mark Wettreich         | Vice President of Administration, Corporate Secretary | 600,000                        | \$0.25                     |

## Other Long-Term Incentive Plans

The Corporation does not have any other long-term incentive plans and does not provide retirement benefits to its employees.

## Overview of How the Compensation Program Fits with Compensation Goals

### 1. Attract, Hold and Inspire Key Talent

The compensation package meets the goal of attracting, holding and motivating key talent in a highly competitive mineral exploration environment through the following elements:

- (a) A competitive management services compensation program which is generally above similar opportunities.
- (b) Providing an opportunity to participate in the Corporation's growth through options.

### 2. Alignment of Interests of NEO's with Interests of the Shareholders

The compensation package meets the goal of aligning the interests of the NEO's with the interests of Shareholders through the following elements:

- (a) Through the grant of stock options, if the price of the Corporation shares increases over time, both NEO's and Shareholders will benefit.
- (b) By providing a vesting period on stock awards, NEO's have an interest in increasing the price of the Corporation's shares over time, rather than focusing on short-term increases.

## Summary Compensation Table

The following table provides information for the three most recently completed financial years ended July 31, 2012, 2011 and 2010 regarding compensation earned by each of the Named Executive Officers of the Corporation. Unless otherwise noted, salaries for the Named Executive Officers are paid in Canadian dollars.

### Financial Years Ended July 31, 2012, 2011 and 2010

| Name and principal position   | Year | Salary (\$) | Share-based awards (\$) | Option-based awards' (\$) | Non-equity incentive plan compensation (\$) |                           | Pension Value (\$) | Other Compensation (\$) | Total compensation (\$) |
|---|------|-------------|-------------------------|---------------------------|---|---------------------------|--------------------|-------------------------|-------------------------|
|   |      |             |                         |                           | Annual incentive plans                      | Long-term incentive plans |                    |                         |                         |
| Daniel Wettreich<br>Chairman of the Board,<br>CEO and Director <sup>(1)</sup> | 2012 | Nil         | NIL                     | Nil                       | NIL   | NIL                       | NIL                | 30,000                  | 30,000                  |
|   | 2011 | Nil         | NIL                     | Nil                       | NIL   | NIL                       | NIL                | NIL NIL                 | Nil                     |
|   | 2010 | Nil         | NIL                     | Nil                       | NIL   | NIL                       | NIL                |                         | Nil                     |

Notes: (1) The management services of Daniel Wettreich are provided by Sammiri Capital Inc at a monthly fee of \$15,000. Since July 1, 2012 these fees are being accrued.

## Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each NEO outstanding as of July 31, 2012.

### Outstanding Share-Based Awards and Option-Based Awards

| Name and principal position                          | Option-based Awards                                     |                            |                        |  | Share-based Awards                    |  |
|--|---|----------------------------|------------------------|--|---------------------------------------|--|
|  | Number of securities underlying unexercised options {#} | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options (\$) * | Number of shares that have not vested | Market or payout value of share-based awards that have not vested (\$) |
| Daniel Wettreich<br>Chairman<br>CEO, and<br>Director | 3,000,000   | 0.25                       | March 28,2012          | 30,000   | N/A                                   | N/A  |

*Note: \* Based on the closing price of the common shares of the Corporation as quoted by the Canadian National Stock Exchange on July 31, 2012, of \$0.26.*

The following table provides information regarding the value vested or earned of incentive plan awards for the financial year ended July 31, 2012.

### Value Vested or Earned During the Financial Year Ended July 31, 2012

| Name and principal position                        | Option-based awards - Value vested during the year (\$) | Share-based awards - Value vested during the year (\$) | Non-equity incentive plan compensation - Value earned during the year (\$) |
|--|---|--|--|
| Daniel Wettreich<br>Chairman, CEO, and<br>Director | NIL   | NIL  | NIL  |

*Note: These amounts represent the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date. The value of each amount has been determined by taking the difference between the market price of the option at the assumed exercise date and the exercise or base price of the option under the option-based award on the vest date.*

### Incentive Plan Awards - Narrative Discussion Pension Plan Benefits

The Corporation does not currently provide pension plan benefits to its Named Executive Officers.

### Termination and Change of Control Benefits

There are no termination and change of control benefits.

### Director Compensation

Other than incentive stock options, directors of the Corporation do not receive any compensation for attending meetings of the board of directors or a committee of the board of directors.

## **Retirement Policy for Directors**

The Corporation does not have a retirement policy for its directors.

## **CORPORATE GOVERNANCE DISCLOSURE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Corporation. The Board is committed to sound corporate governance practices, which are both in the interest of its Shareholders and contribute to effective and efficient decision making. The Corporation's common shares trade on the Canadian National Stock Exchange (“**CNSX**”), one of Canada's foremost public venture marketplaces. Accordingly, the Board of Directors of the Corporation has carefully considered the Corporate Governance Guidelines (the “**Guidelines**”) adopted by the CNSX and has complied with the Guidelines. The information required to be disclosed by National Policy 58-101 - *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) is attached to this information circular as **Schedule “D”**.

## **AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR**

National Instrument 52-110 -*Audit Committees* (“**NI 52-110**”) to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as disclosed by Form 52-110F2 attached to this Circular as **Schedule “E”**.

The Audit Committee's primary duties and responsibilities are to: (i) serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements; (ii) review and appraise the performance of the Corporation's external auditors; and (iii) provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors. The Audit Committee reports its deliberations and discussions to the Board and submits to the Board the minutes of its meetings. The Audit Committee consists of Daniel Wettreich, Scott F. White and Brian Crawford. All members of the Audit Committee are “financially literate” as that term is defined in NI 52-110 and Messrs White and Crawford are “independent” as that term is defined in NI 52-110. The Chairman of the Audit Committee, in consultation with the Audit Committee members, determines the schedule and frequency of the Audit Committee meetings.

## **INDEBTEDNESS OF DIRECTORS, SENIOR OFFICERS AND PROMOTERS OF WINSTON**

No current or former director, executive officer, promoter or employee of Winston or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries, or to any other entity, where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries. No person who is, or was at any time during the most recently completed financial year of the Corporation, a director, promoter or executive officer of the Corporation or any proposed nominee for election as a director of the Corporation, nor any Associate or Affiliate of any such Person, is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries; nor is any such indebtedness of any such person to another entity now, nor has it been at any time in the past, since the beginning of the most recently completed financial year of the Corporation, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, under a securities purchase program or any other program.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Management of Winston is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director, promoter or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, or of any proposed nominee for election as a director of Winston or of the Resulting Issuer, or of any Associate or Affiliate of any

such Person, in any matter to be acted upon at the Meeting other than the approval of amendments to the existing Stock Option Agreements and the election of directors. All of the directors and officers may receive options pursuant to the Winston Stock Option Plan. See “Particulars of Matters to be Acted Upon - Approval of Winston Stock Option Plan”.

#### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS OF WINSTON**

Management of Winston is not aware of any material interest, direct or indirect, of any Insider of Winston, any nominee for election as a director of Winston, or any Associate or Affiliate of any such Person, in any transaction that has materially affected or would materially affect Winston.

#### **LEGAL PROCEEDINGS CONCERNING WINSTON**

Management of Winston is not aware of any material legal proceedings outstanding, pending or threatened as at the date hereof, by or against Winston, which would be material to a purchaser of securities of Winston.

#### **FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS**

Attached hereto as Schedule I are copies of the audited combined financial statements for the Corporation for the period from September 15, 2011 (date of incorporation) to the short period financial year ended July 31, 2012, and Management Discussion and Analysis related thereto, audited financial statements of Hadley for the period ended July 31, 2012, and audited interim financial statements of Zara for the period ended October 19, 2012.

#### **INFORMATION CONCERNING HADLEY**

Hadley was incorporated under the name 2238484 Ontario Inc. by a certificate of incorporation under the *Business Corporations Act* (Ontario) dated March 26, 2010. On October 10, 2012, the articles of 2238484 Ontario Inc were amended to change its name of to “Hadley Mining Inc.”. The head office of Hadley is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario, M5J 2Y5

##### **General Description of the Business**

Hadley was formed by its previous owners for the purpose of acquiring/staking the Etamame nickel claims in Ontario. The business of Hadley consists of the exploration, development and acquisition of mineral projects Hadley’s activities to date have been focused on acquiring the Etamame nickel claims and commencing negotiations with the local First Nations people, with the objective of obtaining a co-operation agreement. Until the completion of the Plan of Arrangement, Winston will be the sole shareholder of Hadley.

##### **Corporate History**

Pursuant to a share purchase agreement dated June 27, 2012, between the Corporation, Pele Mountain Resources Inc. and Stephen Shefsky, on June 28, 2012 the Corporation acquired all of the issued and outstanding shares in the capital of Hadley. As a result of this transaction, the Corporation acquired certain mineral claims, which are known as the “Etamame Lake Nickel Project” (“**Etamame**”), as described below.

In connection with the Plan of Arrangement, on October 12, 2012, Hadley entered into a purchase and assignment agreement with the Corporation pursuant to which Hadley agreed to purchase from the Corporation all of its rights, title and interest in a geophysical airborne survey carried out over Etamame by Geotech Ltd in March 2011 (the “**Airborne Survey**”) at the Corporation’s cost of \$160,000, and the repayment by Hadley of a \$50,000 loan from Winston relating to a purchase agreement between 2212150 Ontario Inc (operating as Vanex Exploration) and Hadley, whereby Hadley acquired a 1.5% NSR on Etamame for \$50,000, and the cash sum of \$100,000, and Hadley agreed to issue to the Corporation 25,000,000 common shares in the capital of Hadley. The closing of this purchase and assignment is intended to take place on the Effective Date as part of the Plan of Arrangement.

On October, 12, 2012, Hadley entered into the Arrangement Agreement. Upon completion of the Plan of Arrangement and the distribution of the Hadley Distribution Shares, Hadley will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

### **Narrative Description of the Business**

**The following information regarding Etamame has been excerpted from the National Instrument 43-101 compliant technical report (the “Etamame Technical Report”) entitled “Etamame Lake Ultramafic Complex Property Sachigo Lake Area, Ontario, Canada Red Lake Mining Division, NTS 53 F 15 Geology Technical Report” prepared for Hadley by Alan Aubut P.Geo. of Sibley Basin Group and dated July 20, 2012. The Etamame Technical Report contains additional information with respect to Etamame, including mineralization and sampling, and is incorporated by reference into this Information Circular. The Etamame Technical Report is also available on SEDAR at [www.sedar.com](http://www.sedar.com) under the SEDAR profile of the Corporation. In addition, a copy of the Etamame Technical Report will be mailed, free of charge, to any holder of Common Shares who requests a copy, in writing, from the Secretary of the Corporation. Any such requests should be mailed to the Corporation, at its head office, to the attention of the Secretary.**

The Etamame Lake Ultramafic Complex property consists of 10 unpatented mining claims covering an area of approximately 2272 ha. It is located in the Lingman Lake Greenstone belt, part of the Sachigo sub-province of the Precambrian Shield area of northern Ontario, and approximately 328 km north of Red Lake. The property is currently held by Hadley, a 100% subsidiary of Winston Resources Inc.

The property is characterized by calc-alkaline to komatiitic volcanism that strikes for over 12km east-west. The volcanic pile is on average 1km to 1.5km thick. The area contains a series of intercalated near vertical dipping komatiites (peridotites/pyroxenites and dunites), biotite rich mafic volcanics, crystal tuffs, felsic volcanic agglomerates, cherts and sulphide iron formation. The age of the Etamame Lake property rocks are 2742 to 2749 billion years old and are metamorphosed to greenschist facies.

The Etamame Lake Ultramafic Complex is a similar geological setting to other areas around the world whereby volcanic peridotites (komatiite) host Ni-Cu-PGE deposits. The geological model applicable has massive sulphide bodies predominantly located at the base of komatiite flows in contact with footwall rocks.

Prior to the acquisition of the property by 2238484 Ontario Inc. there had not been any exploration on record. Since staking of the claims a three day reconnaissance mapping/prospecting program has been carried out over the property. Twenty-seven (27) grab samples were collected and analysed for whole rock and trace elements. One sample reported anomalous nickel of 0.7% and 0.4% copper. In the spring of 2011 Geotech Limited flew a VTEM AEM survey over the Etamame Lake Ultramafic Complex. A total of 427 line kilometers of data were acquired. The Total Field Intensity magnetic survey shows a number of highly magnetic linear units that appear to correspond with known ultramafic units. Coincident with most of the magnetic anomalies, or on their flanks, are a total of 23 conductive trends with up to 9 of them possibly indicating the presence of magmatic sulphides.

The work to date has confirmed that the property is underlain by rocks that include komatiite bodies. And geophysics has shown that these correlate with magnetic highs with strong AEM anomalies, all agreeing with the target model of komatiite associated nickel bearing magmatic sulphides. It is recommended that diamond drilling be done to confirm the presence of magmatic sulphides. The proposed initial program of 1,250 metres of diamond drilling has a budgeted cost of \$600,000.

### **Stated Business Objectives and Milestones**

Upon completion of the Plan of Arrangement, Hadley's business will be that of a resource company involved in the exploration of its early state mineral exploration properties. The Corporation intends to list the common shares of Hadley on the CNSX, subject to obtaining all necessary approvals of the CNSX. Following completion of the Plan of Arrangement, Hadley's primary business objective will be to carry out the recommended exploration activities on Etamame.



### Description of the Securities of the Resulting Issuer

There is currently one common share of Hadley issued and outstanding. On the Effective Date, Hadley shall issue 25,000,000 common shares in the capital of Hadley, 2,580,979 of which will be immediately transferred to Shareholders, on a pro rata basis, as a dividend in kind.

### Pro Forma Capitalization of the Resulting Issuer

Based on the audited financial statements of Hadley for the period ended July 31, 2012 as set out in Schedule I attached hereto, the unaudited pro forma capitalization of Hadley as at October 19, 2012 shall be as follows:

| Designation of Security | Amount Authorized | Outstanding Common Shares |
|-------------------------|-------------------|---------------------------|
| Common Shares           | Unlimited         | 25,000,001                |
| Indebtedness            | N/A               | 0                         |
| Shareholders Equity     | N/A               | \$433,700                 |

### Available Funds and Principal Purposes

Management of the Corporation estimates that Hadley will have \$100,000 in available cash funds following the completion of the Plan of Arrangement. Hadley expects to use its available funds of \$100,000 for working capital and general business expenses. While management intends to use the Available Funds as stated above, the Resulting Issuer may reallocate the available funds for sound business reasons.

### Dividend Policy

It is not contemplated that any dividends will be paid in the immediate or foreseeable future as it is anticipated that all Available Funds will be applied to finance the Resulting Issuer's business. Hadley's board of directors will determine if and when dividends are to be declared and paid from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time

### PRINCIPAL SECURITY HOLDERS OF HADLEY

To the knowledge of the directors and officers of the Corporation and Hadley, the only persons who immediately following the completion of the Plan of Arrangement, will own beneficially and of record, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding common shares of Hadley are set out below:

| Name and Municipality of Residence.     | Number of Common Shares of Hadley after Plan of Arrangement | Percentage of Issued and Outstanding Common Shares of Hadley after Plan of Arrangement (1) |
|---|---|--|
| Winston Resources Inc. Toronto, Ontario | 22,419,021  | 89.67%   |

Note:

(1) Based on 25,000,001 Hadley common shares being issued and outstanding.

## DIRECTORS, OFFICERS AND PROMOTERS

### Name, Address, Occupation and Securities Holdings

The following chart provides certain information with respect to each proposed director and officer of Hadley, including the approximate number of securities of Hadley that will be beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them:

| Name and Municipality of Residence                      | Proposed Position with Hadley           | Principal Occupation During the Past Five Years   | Number and Percentage of Common Shares Beneficially Held as at the date hereof | Number and Percentage of Common Shares Beneficially Held assuming completion of Plan of Arrangement <sup>(1)</sup> |
|---|---|---|--|--|
| Daniel Wettreich <sup>(2)</sup><br>Toronto, Ontario     | Chairman, CEO, CFO and director         | CEO of Churchill Venture Capital LP and of Churchill Natural Resource Partners, LP  | Nil  | 1,076,010<br>4.30%   |
| Mark Wettreich<br>Dallas, Texas, USA                    | Vice President, Corporate Secretary and | Vice President of Churchill Venture Capital LP and of Churchill Natural Resource Partners LP  | Nil  | Nil  |
| Scott F. White <sup>(2)</sup><br>Campbellville, Ontario | Director                                | Director and founder of Parlay Entertainment Inc.; Director of Minsud Resources Inc.; Director of Taggart Capital Corp.; Director of Triumph Ventures II Corp.  | Nil  | 12,000<br>0.0005%  |
| Peter Wanner <sup>(2)</sup><br>Georgetown, Ontario      | Director                                | Managing Director, IG Aviation Tax Services Inc., CFO & Director, First National Energy Corp. CFO & Director Hear At Last Holdings Inc. Director & President, Scorpio Capital Corp., Director & CEO, Triumph Ventures II Corp | Nil  | Nil  |

Notes:

(1) Based on 25,000,001 Hadley common shares being issued and outstanding after completion of the Plan of Arrangement

(2) Member of Hadley's audit committee.

## **Management Team and Board of Directors**

**Daniel Wettreich** is a director and the Chairman, CEO and CFO of Winston Resources Inc, Hadley, and Zara. He has more than 38 years experience in venture capital, private equity, and management of publicly traded companies. He has been Chairman and CEO of Churchill Venture Capital LP, a Dallas, Texas private equity business, for more than 20 years, and is Managing Partner of Churchill Natural Resource Partners, LP, which invests in small cap mining companies. He has been a director of public companies listed on NASDAQ, the American Stock Exchange, the London Stock Exchange, the AIM Market of the London Stock Exchange, and the Vancouver Stock Exchange, a predecessor to the TSX Venture Exchange. These public companies have been in diverse businesses in internet technologies, oil and gas, retailing, telecommunications, media, and real estate. He has facilitated 12 reverse takeover transactions. He is a graduate of the University of Westminster with a BA in Business.

It is anticipated that Mr. Wettreich will devote such time and expertise as is reasonably required by Hadley.

**Mark Wettreich** is a director and Vice President of Administration and Corporate Secretary of Winston Resources Inc, Hadley and Zara. He is Vice President of Churchill Venture Capital LP and of Churchill Natural Resource Partners, LP which invests in small cap mining companies. Previously, he was President of European Art Gallery, fine art dealers in London, England, and Dallas, Texas. He is a B.A. graduate of the University of Texas.

It is anticipated that Mr. Wettreich will devote such time and expertise as is reasonably required by Hadley.

**Scott F. White** is a director and member of the Audit Committee of Winston Resources Inc, Hadley and Zara. Mr. White is a director and founder of Parlay Games, Inc., a company focused on the development and license of internet gaming products. Mr. White is a director of several public corporations listed on the TSXV and is active as a shareholder and director of numerous private corporations. Previously Mr. White was the Founding and Managing Partner of Bush, Frankel, & White, Barristers & Solicitors. He has a B.A. from the University of Toronto and an LLB from the University of Windsor.

It is anticipated that Mr. White will devote such time and expertise as is reasonably required by Hadley.

**Peter D. Wanner** is a director and member of the Audit Committee of Hadley and Zara. He is the Managing Director of IG Aviation Tax Services Inc providing accounting services to the aviation industry. Mr Wanner is a director and CEO of Triumph Ventures II Corp and Triumph Ventures III Corp, which are Capital Pool Companies. He is a director and CEO of First National Energy Corp, a public company on the OTC in the USA and has been a director and officer of a number of public companies. Peter received his Certified General Accountant designation in 1981 and after working in public accounting he became VP & Controller of Worldways Canada – then Canada’s 3rd largest airline. He has 25 years experience in accounting and financial consulting, and has worked with companies in Canada, the United States, Mexico and the United Kingdom.

It is anticipated that Mr. Wanner will devote such time and expertise as is reasonably required by Hadley.

## **Cease Trade Orders, Bankruptcies, Penalties, and Sanctions**

Other than as disclosed below, no director or executive officer of the Corporation or proposed director of the Corporation is, as at the date hereof, or has been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any corporation (including the Corporation) that:

- (a) was subject to an order that was issued and which was in effect for a period of more than 30 consecutive days, while the director or executive officer was acting in the capacity as director, chief executive officer or financial officer; or
- (b) was subject to an order that was issued and which was in effect for a period of more than 30 consecutive days, after the director or executive officer ceased to be a director, chief executive officer or chief

financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer.

No director or executive officer of the Corporation, proposed director of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(a) is, at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, proposed director of the Corporation, or a shareholder holding a sufficient number of the Corporation's securities to affect materially the control of the Corporation has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b)

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Scott F. White was an officer and a director of Parlay Entertainment Inc ("**Parlay**"). Parlay was the subject of a cease trade order (a "**CTO**") issued by the Ontario Securities Commission (the "**OSC**") and by the British Columbia Securities Commission on or around May 17, 2011, for failing to file a comparative financial statement for its financial year ended December 31, 2010, and a Form 51-102F1 Management's Discussion and Analysis for the period ended December 31, 2010. Parlay subsequently filed all required financial statements and the CTO was lifted on July 25, 2012. On May 6, 2011, the Parlay appointed BDO Canada Limited ("**BDO**") to assist it in a restructuring and to act as its proposal trustee in the filing of a notice of intention to make a proposal (the "**Proposal**") to its creditors with the Superior Court of Justice, Province of Ontario, pursuant to the *Bankruptcy and Insolvency Act* (Canada). On September 29, 2011, the creditors of the Applicant rejected the Proposal and, as a result Parlay was deemed bankrupt and BDO was appointed Bankruptcy Trustee. On November 29, 2011, the Bankruptcy Trustee executed a letter of intent with a third party in anticipation of a transaction and, based on the letter of intent, the Bankruptcy Trustee offered a new proposal to the creditors (the "**New Proposal**") and on January 19, 2012, the creditors accepted the New Proposal. The New Proposal of Parlay under the *Bankruptcy and Insolvency Act* (Canada) was approved by the Court on February 6, 2012 and Parlay ceased to be deemed bankrupt.

### **Personal Bankruptcies**

No proposed director, officer or promoter of Hadley is, or has, within the ten years preceding the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **Conflicts of interest**

Certain of the directors of Hadley currently, or in the future, may serve as directors of, have significant shareholdings in, or provide professional services to other companies and, to the extent that such other companies may participate in ventures with Winston Resources Inc., the directors of the Corporation may have

a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, a director who has such a conflict must disclose, at a meeting of the board, the nature and extent of his interest to the meeting and abstain from voting for or against the approval of such participation. Conflicts will be subject to the procedures and remedies similar to these provided under the BCBCA.

### Other Reporting Issuer Experience

The following table sets forth the names of the directors, officers, and promoters of Hadley that are, or have been within the last five years, directors, officers, and promoters of other reporting issuers.

| Name of Director, Officer, or Promoter | Name and Jurisdiction of Reporting Issuer  | Name of Trading Market (1)                               | Position  | From  | To  |
|--|--|--|---|---|---|
| Daniel Wettreich                       | Camelot Corporation  | OTC-BB   | CEO/Director  | September 1988  | May 2010  |
| Peter Wanner                           | First National Energy Corp.<br>Hear At Last Holdings Inc.<br>Trophy Capital Inc.<br>Ribbon Capital Corp.<br>Scorpio Capital Corp.<br>Triumph Ventures II Corp.<br>Triumph Ventures III Corp. | OTCBB<br>PK<br>TSX-V<br>TSX-V<br>TSX-V<br>TSX-V<br>TSX-V | CFO/Director<br>CFO<br>Director<br>Director<br>Director/President<br>CFO/Director<br>CFO/Director | May 2004<br>July 2006<br>July 2003<br>June 2004<br>September 2004<br>November 2010<br>August 2011 | Present<br>September 2009<br>March 2004<br>September 2006<br>January 2007<br>Present<br>Present |
| Scott F. White                         | Parlay Entertainment Inc.<br>Rattlesnake Ventures Inc.<br>Minsud Resources Inc.<br>Taggart Capital Corp.<br>Triumph Ventures II Corp.  | TSXV<br>TSXV<br>TSXV<br>TSXV<br>TSXV                     | CEO/Director<br>CEO/Director<br>CEO/Director<br>Director<br>Director                              | November 2006<br>October 2007<br>May 2011<br>January 2011<br>July 2011                            | July 2012<br>May 2011<br>Present<br>Present<br>Present  |

Note:

(1) OTC-BB = Over the Counter Bulletin Board; TSXV = TSX Venture Exchange; and PK means "Pink Sheets"

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Resulting Issuer Board anticipates, upon completion of the Plan of Arrangement, that the size of the Resulting Issuer will facilitate a direct management structure and that Hadley's Board will decide compensation matters relating to executive management Hadley intends to compensate Daniel Wettreich for services as CEO of Hadley in the amount of \$5,000 per month and Mark Wettreich for services as Secretary of the Resulting Issuer in the amount of \$2,000 per month, commencing upon the completion of the Plan of Arrangement.

#### *Option-based Awards and Incentive Plan Awards*

The Resulting Issuer does not intend to grant any incentive stock options in connection with the completion of the Plan of Arrangement but may grant options to directors, officers, employees and consultants of Hadley pursuant to Hadley's Stock Option Plan. See Schedule B. All future option grants will be at the discretion of Hadley's Board.

#### *Pension Plan Benefits*

Hadley does not intend to enact any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

### *Termination and Change of Control Benefit*

Hadley does not intend to enter into employment agreements with its management team upon completion and there will be no termination or change of control benefits in favour of such persons.

### **Director Compensation**

Upon Completion of the Plan of Arrangement, it is anticipated that the size of Hadley will facilitate a direct management structure whereby the directors will determine how much, if any, cash compensation will be paid to directors for services rendered to Hadley by them in that capacity, however, it is not anticipated that directors who are otherwise employed by or engaged to provide services to Hadley, will be paid an annual director's fee.

### *Share-Based Awards, Option based Awards and Non-Equity Incentive Plan Compensation*

The Resulting Issuer Board will consider whether share-based awards, option based awards or whether to establish any non-equity incentive plans, as the case may be, should be established from time to time.

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director, executive officer or other senior officer of Hadley, or any Associate of any such director or officer is, or has been at any time since the beginning of the most recently completed financial year of Hadley, indebted to Hadley nor is, or at any time since the incorporation of Hadley has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Hadley.

### **INVESTOR RELATIONS ARRANGEMENTS**

Neither Hadley nor the Corporation has entered into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Corporation, or Hadley or its securities.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

#### **Auditors**

As at the date of this Information Circular, the auditors of Hadley are parker simone LLP, Chartered Accountants, of 129 Lakeshore Rd E, Mississauga, Ontario, L5G 1E5 who will continue in that capacity for the ensuing year at a remuneration to be fixed by the Directors.

#### **Transfer Agent and Registrar**

The transfer agent and registrar of Hadley will be Capital transfer Agency Inc of 105 Adelaide Street West, Suite 1101, Toronto, Ontario, M5H 1P9.

### **RISK FACTORS**

Upon completion of the Plan of Arrangement, Hadley's primary assets will consist of cash and mining assets. The business of Hadley will be subject to numerous risk factors, as more particularly described below. Certain of the information set out in this Information Circular includes or is based upon expectations, estimates, projections or other "forward looking information." Such forward looking information includes projections or estimates made by Hadley and its management as to Hadley's future business operations. While statements concerning forward looking information, and any assumptions upon which they are based, are made in good faith and reflect Hadley's current judgment regarding the direction of their business, actual results will almost certainly vary, sometimes materially, from any estimates, predictions, projections, assumptions or other performance suggested herein.

## **Public Market Risk**

It is not possible to predict the price at which the Common Shares will trade and there can be no assurance that an active trading market for the Common Shares will be sustained. A publicly traded company will not necessarily trade at values determined solely by reference to the value of its assets. Accordingly, the Common Shares may trade at a premium or a discount to values implied by the value of its underlying assets. The market price for the Common Shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Hadley.

## **Liquidity and Additional Financing**

The Resulting Issuer believes that cash on hand, will be adequate to meet Hadley's financial needs for the next 12 months following the completion of the Plan of Arrangement. The Resulting Issuer has insufficient funds to meet all the exploration requirements set out in the Etamame Technical Report. Additional funds, by way of equity financings will need to be raised to finance Hadley's exploration requirements on Hadley's properties. There can be no assurance that Hadley will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause Hadley to reduce or terminate its operations.

## **Regulatory Requirements**

Even if Hadley's properties are proven to host economic reserves of precious or non precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of Hadley and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of Hadley's properties, environmental legislation and mine safety.

## **Exploration and Mining Risks**

The Resulting Issuer's properties are without any known body of commercial mineralization. Development of Hadley's properties depends on satisfactory exploration or development results. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The profitability of Hadley's operations will be in part directly related to the cost and success of its exploration programs, if any, which may be affected by a number of factors beyond Hadley's control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which Hadley has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamond, precious and non precious metals, any of which could result in work stoppages, damage to Hadley's properties, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fires, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are involved in mineral exploration, development and operation. The Resulting Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the financial position of Hadley.

Hadley will continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to determine if mineralization reserves exist through drilling, to develop processes to extract the precious and non precious metals from the mineralization and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis or at all. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of mineralization mined, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and

exporting of minerals and environmental protection. The remoteness and restrictions on access of Hadley's properties in which Hadley has or may have an interest will have an adverse effect on profitability in that infrastructure costs will be higher.

### **Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and Hadley may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and cause insolvency and/or a decline in the value of the securities of Hadley.

### **No Assurance of Title to Properties**

Although Hadley has conducted its own investigation of legal title to Hadley's properties, Hadley's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. The Resulting Issuer is satisfied, however, that evidence of title to Hadley's properties is adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on Hadley's properties.

### **Permits and Licenses**

The operations of Hadley may require licenses and permits from various governmental authorities. There can be no assurance that Hadley will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### **Challenges by First Nations**

In 2005, the Supreme Court of Canada determined that there is a duty on the government to consult with and, where appropriate, accommodate where government decisions have the potential to adversely affect treaty rights of First Nations. The Supreme Court of Canada Court found that third parties are not responsible for consultation or accommodation of aboriginal interests and that this responsibility lies with government. If the Federal Government fails to consult with First Nations before issuing any permits, licenses, mineral claims, mineral leases, mineral licenses or surface rights (collectively, “permits”), there may be valid challenges to any such permits which could affect the development of Hadley's properties. The Resulting Issuer is committed to consulting with local First Nations to gain an understanding of how the use of Hadley's properties may impact upon the exercise of their asserted aboriginal and treaty rights.

### **Competition**

The mineral exploitation industry is intensely competitive in all its phases. The Resulting Issuer competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of Hadley may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Hadley not receiving an adequate return on invested capital or losing its invested capital.

### **Environmental Regulations**

The Resulting Issuer's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills,



releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Hadley's operations. The Resulting Issuer intends to fully comply with all environmental regulations.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Hadley's future operations.

### **Fluctuating Price**

The Resulting Issuer's revenues, if any, are expected to be in large part derived from the mining and sale of precious and non precious metals. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond Hadley's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, consumption patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of base and precious metals and therefore the economic viability of any of Hadley's projects cannot be accurately predicted.

### **Reliance on Key Personnel**

The Resulting Issuer's performance is substantially dependent on the performance and efforts of its board of directors and management. The loss of the services of any member of Hadley Board could have a material adverse effect on its business, results of operations and financial condition, Hadley does not carry any key man insurance.

## **INTERESTS OF EXPERTS**

To the knowledge of management of the Corporation and Hadley, no professional person providing an expert opinion in these materials nor does any Associate or Affiliate of such person have a any beneficial interest, direct or indirect, in any securities or property of the Corporation, Hadley or of an Associate or Affiliate of any of them, and no professional person is expected to be elected, appointed or employed as a director, senior officer or employee of Hadley or an Associate or Affiliate thereof.

## **APPLICATION FOR CONDITIONAL APPROVAL**

The Corporation has applied to the Exchange for conditional approval of the proposed listing of Hadley shares on the CNSX. As of the date of this Information Circular, Hadley has not yet received conditional approval of the listing and no assurances can be provided that Hadley will obtain conditional approval of the listing. The proposed listing is subject to Hadley fulfilling all of the requirements of the Exchange.

## **OTHER MATERIAL FACTS**

The Corporation is not aware of any other material facts relating to the Corporation, or Hadley or to the Plan of Arrangement that are not disclosed under the preceding items and are necessary in order for the Information Circular to contain full, true and plain disclosure of all material facts relating to the Corporation, and Hadley, other than those set forth herein.

## INFORMATION CONCERNING ZARA

Zara was incorporated by a certificate of incorporation under the *Business Corporations Act* (Ontario) dated October 9, 2012. The head office of Zara is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario, M5J 2Y5.

### General Description of the Business

Zara currently has minimal assets and is a recently incorporated entity, incorporated solely for the purpose of the Plan of Arrangement. Upon completion of the Plan of Arrangement, Zara will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

In accordance with Zara was formed by the Corporation for the purpose of acquiring the Corporation's interest in certain mineral claims in the area known as the "Ring of Fire" in Ontario. Zara intends to explore and develop these mining interests, and also seek to acquire other natural resource properties located in North America that have potential for development. Zara's activities to date have consisted of the conditional acquisition of the Ring of Fire mining properties. The Corporation is currently the sole shareholder of Zara and has been the sole shareholder since Zara's incorporation.

### Corporate History

In connection with the Plan of Arrangement, on October 12, 2012, Zara entered into a purchase and assignment agreement (the "**Zara Purchase Agreement**") with CNRP, pursuant to which Zara agreed to purchase from CNRP all of its rights, interests, obligations and benefits in an option agreement (the "**Green Swan-Melkior Agreement**") dated August 10, 2011, as amended, between Green Swan Capital Corp. ("**Green Swan**") and Melkior Resources Inc. ("**Melkior**"), and assigned by Green Swan to CNRP pursuant to a purchase and assignment agreement dated April 30, 2012. Under the terms of the Green Swan-Melkior Agreement, CNRP has a right to acquire a 70% interest in certain mineral claims known as the "Riverbank" and "Broke Back" claims located in the Ring of Fire area of Ontario, Canada.

In consideration for the assignment of the Zara Purchase Agreement and the payment of \$100,000 in cash by Winston to Zara, Zara agreed to issue 25,000,000 common shares in the capital of Zara to Winston. In addition, Zara shall issue and deliver to CNRP a 10% Promissory Note if expenditures of \$235,000 are made on the Riverbank property and Brokeback property pursuant to the 2012 Work Program. If the 2012 Work Program is not completed, then such contingent consideration will not be due. The closing of this purchase and assignment is intended to take place on the Effective Date as part of the Plan of Arrangement.

On October, 12, 2012, Zara entered into the Arrangement Agreement. Upon completion of the Plan of Arrangement and the distribution of the Zara Distribution Shares, Zara will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

### Narrative Description of the Business

The following information regarding the Riverbank and Broke Back Claims has been excerpted from the National Instrument 43-101 compliant technical report (the "**Riverbank-Broke Back Technical Report**") entitled "**National Instrument 43-101 Technical Report Broke Back and Riverbank Properties**" prepared for Zara by Alan Aubut P. Geo of the Sibley Basin Group and dated October 27, 2012. The Riverbank-Broke Back Technical Report contains additional information with respect to the Riverbank and Broke Back Claims and is incorporated by reference into this Circular. The Riverbank-Broke Back Technical Report is also available on SEDAR at [www.sedar.com](http://www.sedar.com) under the SEDAR profile of Winston. In addition, a copy of the Riverbank-Broke Back Report will be mailed, free of charge, to any holder of Common Shares who requests a copy, in writing, from the Secretary of the Corporation. Any such requests should be mailed to the Corporation, at its head office, to the attention of the Secretary.

At the request of Zara, Alan Aubut P. Geo of the Sibley Basin Group prepared a NI43-101 compliant report of the geology and work done to date on the Riverbank and Broke Back Claims in the McFauld's Lake Area, Ontario. The Report describes the geology and work done to date on the Broke Back and Riverbank Properties (the "Properties"), and recommends a first phase exploration program consisting of ground geophysics followed by diamond drilling to confirm the presence of magmatic sulphides. The recommended budget for this program is \$682,000.

The Broke Back property consists of 18 unpatented mining claims comprising of 256 claim units covering an area of approximately 4,096 ha. The Riverbank property consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1392 ha. Zara can acquire an initial 51% undivided interest in the Properties by incurring a minimum of \$1,600,000 in work expenditures on the Properties by no later than December 31, 2014. Following that, Melkior Resources Inc ("Melkior") has the right to elect to form a joint venture with Zara. Should Melkior not elect to form a joint venture on the Properties, Zara will have the option to acquire an additional 19% interest (for a total 70% undivided interest in the Properties) by incurring an additional \$1,000,000 in work expenditures on the Properties within twenty-four months.

The properties are located in the Kasabonika-McFauld's Greenstone belt, part of the Sachigo sub-province of the Precambrian Shield area of Northwestern Ontario, approximately 540 km north-north east of Thunder Bay, Ontario and 350 km north of Geraldton, Ontario. The project area is located along the western margin of the James Bay Lowlands within the Tundra Transition Zone consisting primarily of string bog and muskeg whereby the water table is very near the surface. Average elevation is approximately 170 m above mean sea level. The property area is predominantly flat muskeg with poor drainage due to the lack of relief. Glacial features are abundant in the area and consist of till deposits, eskers, and drumlins, all of which are typically overlain by marine clays from the Hudson Bay transgression.

The properties are believed to be underlain in part by mafic to ultramafic rocks that potentially could host nickel-copper mineralization. Prior to the acquisition of the option interest in the property by Zara, Melkior completed an airborne VTEM survey and associated aeromagnetic survey by Geotech. This was followed by three diamond drill holes in 2011 totalling 416 m. No obvious targets were identified on the Broke Back property but a number of conductive trends are present on the Riverbank property. The work to date has not disproved that the properties are underlain by rocks that include ultramafic bodies. The geophysics done to date still indicates that the target model of mafic-ultramafic associated nickel bearing magmatic sulphides is valid. Exploration over the properties to date has consisted primarily of geophysics followed by limited diamond drilling.

#### **Stated Business Objectives and Milestones**

The principal business objective and milestone of Zara is to complete the Plan of Arrangement. Upon completion of the Plan of Arrangement, Zara's business will be that of a resource company involved in the exploration of its early stage mineral exploration properties. The Corporation intends to list the common shares of Zara on the CNSX, subject to obtaining all necessary approvals of the CNSX. Zara's primary business objective will initially be to carry out the recommended exploration activities on the Riverbank and Brokeback Claims.

#### **Description of the Securities of the Resulting Issuer**

There is currently one common share of Zara issued and outstanding. On the Effective Date, Zara shall issue 25,000,000 common shares in the capital of Zara, 2,580,979 of which will be immediately transferred to Shareholders, on a pro rata basis, as a dividend in kind.

### Pro Forma Capitalization of the Resulting Issuer

Based on the audited interim financial statements of Zara for the period from October 9, 2012 (date of incorporation) to October 19, 2012 as set out in Schedule I attached hereto, the unaudited pro forma capitalization of Zara following the Plan of Arrangement, will be as follows:

| Designation of Security | Amount Authorized | Outstanding Common Shares |
|-------------------------|-------------------|---------------------------|
| Common Shares           | Unlimited         | 25,000,001                |
| Indebtedness            | N/A               | 0                         |
| Shareholders Equity     | N/A               | \$400,000                 |

### Available Funds and Principal Purposes

Management of the Corporation estimates that Zara will have \$100,000 in available cash funds following the completion of the Plan of Arrangement. Zara expects to use its available funds of \$100,000 for working capital and general business expenses. While management intends to use the available funds as stated above, Zara may reallocate the available funds for sound business reasons.

### Dividend Policy

It is not contemplated that any dividends will be paid in the immediate or foreseeable future as it is anticipated that all Available Funds will be applied to finance Zara's business. The Resulting Issuer Board will determine if and when dividends are to be declared and paid from funds properly applicable to the payment of dividends based on Zara's financial position at the relevant time

### PRINCIPAL SECURITY HOLDERS OF ZARA

To the knowledge of the directors and officers of the Corporation and Zara, the only persons who immediately following the completion of the Plan of Arrangement, will own beneficially and of record, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding common shares of Zara are set out below:

| Name and Municipality of Residence.        | Number of Issued and Outstanding Common Shares of Zara after Plan of Arrangement | Percentage of Issued and Outstanding Common Shares of Zara after Plan of Arrangement |
|--|--|--|
| Winston Resources Inc.<br>Toronto, Ontario | 22,419,021   | 89.67%   |

Note:

(1) Based on 25,000,001 Zara common shares being issued and outstanding.

### DIRECTORS, OFFICERS AND PROMOTERS

#### Name, Address, Occupation and Securities Holdings

The following chart provides certain information with respect to each proposed director and officer of Zara, including the approximate number of securities of Zara that will be beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them:

| Name and Municipality of Residence                      | Proposed Position with Zara             | Principal Occupation During the Past Five Years   | Number and Percentage of Common Shares Beneficially Held as at the date hereof | Number and Percentage of Common Shares Beneficially Held assuming completion of Plan of Arrangement <sup>(1)</sup> |
|---|---|---|--|--|
| Daniel Wettreich <sup>(2)</sup><br>Toronto, Ontario     | Chairman, CEO, CFO and director         | CEO of Churchill Venture Capital LP and of Churchill Natural Resource Partners, LP  | Nil  | 1,076,010<br>4.30%   |
| Mark Wettreich<br>Dallas, Texas, USA                    | Vice President, Corporate Secretary and | Vice President of Churchill Venture Capital LP and of Churchill Natural Resource Partners LP  | Nil  | Nil  |
| Scott F. White <sup>(2)</sup><br>Campbellville, Ontario | Director                                | Director and founder of Parlay Entertainment Inc.; Director of Minsud Resources Inc.; Director of Taggart Capital Corp.; Director of Triumph Ventures II Corp.  | Nil  | 12,000<br>0.0005%  |
| Peter Wanner <sup>(2)</sup><br>Georgetown, Ontario      | Director                                | Managing Director, IG Aviation Tax Services Inc.<br>CFO & Director, First National Energy Corp.<br>CFO, Hear At Last Holdings Inc.<br>Director & President, Scorpio Capital Corp.<br>Director and CEO, Triumph Ventures II Corp | Nil  | Nil  |

**Notes:**

(1) Based on 25,000,001 Zara common shares being issued and outstanding after the completion of the Plan of Arrangement.

(2) Member of Zara's audit committee.

**Management Team and Board of Directors**

**Daniel Wettreich** is a director and the Chairman, CEO and CFO of Winston Resources Inc, Hadley, and Zara. He has more than 38 years experience in venture capital, private equity, and management of publicly traded companies. He has been Chairman and CEO of Churchill Venture Capital LP, a Dallas, Texas private equity business, for more than 20 years, and is Managing Partner of Churchill Natural Resource Partners, LP, which invests in small cap mining companies. He has been a director of public companies listed on NASDAQ, the American Stock Exchange, the London Stock Exchange, the AIM Market of the London Stock Exchange, and the Vancouver Stock Exchange, a predecessor to the TSX Venture Exchange. These

public companies have been in diverse businesses in internet technologies, oil and gas, retailing, telecommunications, media, and real estate. He has facilitated 12 reverse takeover transactions. He is a graduate of the University of Westminster with a BA in Business.

It is anticipated that Mr. Wettreich will devote such time and expertise as is reasonably required by Zara.

**Mark Wettreich** is a director and Vice President of Administration and Corporate Secretary of Winston Resources Inc, Hadley and Zara. He is Vice President of Churchill Venture Capital LP and of Churchill Natural Resource Partners, LP which invests in small cap mining companies. Previously, he was President of European Art Gallery, fine art dealers in London, England, and Dallas, Texas. He is a B.A. graduate of the University of Texas.

It is anticipated that Mr. Wettreich will devote such time and expertise as is reasonably required by Zara.

**Scott F. White** is a director and member of the Audit Committee of Winston Resources Inc, Hadley and Zara. Mr. White is a director and founder of Parlay Games Inc., a company focused on the development and license of internet gaming products. Mr. White is a director of several public corporations listed on the TSXV and is active as a shareholder and director of numerous private corporations. Previously Mr. White was the Founding and Managing Partner of Bush, Frankel, & White, Barristers & Solicitors. He has a B.A. from the University of Toronto and an LLB from the University of Windsor.

It is anticipated that Mr. White will devote such time and expertise as is reasonably required by Zara.

**Peter D. Wanner** is a director and member of the Audit Committee of Hadley and Zara. He is the Managing Director of IG Aviation Tax Services Inc providing accounting services to the aviation industry. Mr Wanner is a director and CEO of Triumph Ventures II Corp and Triumph Ventures III Corp, which are Capital Pool Companies. He is a director and CEO of First National Energy Corp, a public company on the OTC in the USA. and has been a director and officer of a number of public companies. Peter received his Certified General Accountant designation in 1981 and after working in public accounting he became VP & Controller of Worldways Canada – then Canada’s 3rd largest airline. He has 25 years experience in accounting and financial consulting, and has worked with companies in Canada, the United States, Mexico and the United Kingdom.

It is anticipated that Mr. Wanner will devote such time and expertise as is reasonably required by Zara.

#### **Cease Trade Orders, Bankruptcies, Penalties, and Sanctions**

Other than as disclosed below, no director or executive officer of the Corporation or proposed director of the Corporation is, as at the date hereof, or has been, within the 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any corporation (including the Corporation) that:

- (a) was subject to an order that was issued and which was in effect for a period of more than 30 consecutive days, while the director or executive officer was acting in the capacity as director, chief executive officer or financial officer; or
- (b) was subject to an order that was issued and which was in effect for a period of more than 30 consecutive days, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer.

No director or executive officer of the Corporation, proposed director of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (a) is, at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became

bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, proposed director of the Corporation, or a shareholder holding a sufficient number of the Corporation's securities to affect materially the control of the Corporation has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Scott F. White was an officer and a director of Parlay Entertainment Inc ("**Parlay**"). Parlay was the subject of a cease trade order (a "**CTO**") issued by the Ontario Securities Commission (the "**OSC**") and by the British Columbia Securities Commission on or around May 17, 2011, for failing to file a comparative financial statement for its financial year ended December 31, 2010, and a Form 51-102F1 Management's Discussion and Analysis for the period ended December 31, 2010. Parlay subsequently filed all required financial statements and the CTO was lifted on July 25, 2012. On May 6, 2011, the Parlay appointed BDO Canada Limited ("**BDO**") to assist it in a restructuring and to act as its proposal trustee in the filing of a notice of intention to make a proposal (the "**Proposal**") to its creditors with the Superior Court of Justice, Province of Ontario, pursuant to the *Bankruptcy and Insolvency Act* (Canada). On September 29, 2011, the creditors of the Applicant rejected the Proposal and, as a result Parlay was deemed bankrupt and BDO was appointed Bankruptcy Trustee. On November 29, 2011, the Bankruptcy Trustee executed a letter of intent with a third party in anticipation of a transaction and, based on the letter of intent, the Bankruptcy Trustee offered a new proposal to the creditors (the "**New Proposal**") and on January 19, 2012, the creditors accepted the New Proposal. The New Proposal of Parlay under the *Bankruptcy and Insolvency Act* (Canada) was approved by the Court on February 6, 2012 and Parlay ceased to be deemed bankrupt

### **Personal Bankruptcies**

No proposed director, officer or promoter of Zara is, or has, within the ten years preceding the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

### **Conflicts of interest**

Certain of the directors of Zara currently, or in the future, may serve as directors of, have significant shareholdings in, or provide professional services to other companies and, to the extent that such other companies may participate in ventures with Zara, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, a director who has such a conflict must disclose, at a meeting of the board, the nature and extent of his interest to the meeting and abstain from voting for or against the approval of such participation. Conflicts will be subject to the procedures and remedies similar to these provided under the BCBCA.

## Other Reporting Issuer Experience

The following table sets forth the names of the directors, officers, and promoters of Zara that are, or have been within the last five years, directors, officers, and promoters of other reporting issuers.

| Name of Director, Officer, or Promoter | Name and Jurisdiction of Reporting Issuer  | Name of Trading Market (1)                               | Position  | From  | To  |
|--|--|--|---|---|---|
| Daniel Wetreich                        | Camelot Corporation  | OTC-BB   | CEO/Director  | September 1988  | May 2010  |
| Peter Wanner                           | First National Energy Corp.<br>Hear At Last Holdings Inc.<br>Trophy Capital Inc.<br>Ribbon Capital Corp.<br>Scorpio Capital Corp.<br>Triumph Ventures II Corp.<br>Triumph Ventures III Corp. | OTCBB<br>PK<br>TSX-V<br>TSX-V<br>TSX-V<br>TSX-V<br>TSX-V | CFO/Director<br>CFO<br>Director<br>Director<br>Director/President<br>CFO/Director<br>CFO/Director | May 2004<br>July 2006<br>July 2003<br>June 2004<br>September 2004<br>November 2010<br>August 2011 | Present<br>September 2009<br>March 2004<br>September 2006<br>January 2007<br>Present<br>Present |
| Scott F. White                         | Parlay Entertainment Inc.<br>Rattlesnake Ventures Inc.<br>Minsud Resources Inc.<br>Taggart Capital Corp.<br>Triumph Ventures II Corp.  | TSXV<br>TSXV<br>TSXV<br>TSXV<br>TSXV                     | CEO/Director<br>CEO/Director<br>CEO/Director<br>Director<br>Director                              | November 2006<br>October 2007<br>May 2011<br>January 2011<br>July 2011                            | July 2012<br>May 2011<br>Present<br>Present<br>Present  |

Note:

(1) OTC-BB = Over the Counter Bulletin Board; TSXV = TSX Venture Exchange; and PK means "Pink Sheets"

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Resulting Issuer Board anticipates, upon completion of the Plan of Arrangement, that the size of Zara will facilitate a direct management structure and that Zara Board will decide compensation matters relating to executive management. The Resulting Issuer intends to compensate Daniel Wetreich for services as CEO of Zara in the amount of \$5,000 per month and Mark Wetreich for services as Secretary of Zara in the amount of \$2,000 per month, commencing upon the completion of the Plan of Arrangement.

### Option-based Awards and Incentive Plan Awards

The Resulting Issuer does not intend to grant any incentive stock options in connection with the completion of the Plan of Arrangement but may grant options to directors, officers, employees and consultants of Zara pursuant to the Zara Stock Option Plan. See Schedule C. All future option grants will be at the discretion of Zara's board of directors.

### Pension Plan Benefits

Zara does not intend to enact any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

### Termination and Change of Control Benefit

Zara does not intend to enter into employment agreements with its management team upon completion and there will be no termination or change of control benefits in favour of such Persons.

### Director Compensation

Upon Completion of the Plan of Arrangement, it is anticipated that the size of Zara will facilitate a direct management structure whereby the directors will determine how much, if any, cash compensation will be paid



to directors for services rendered to Zara by them in that capacity, however, it is not anticipated that directors who are otherwise employed by or engaged to provide services to Zara, will be paid an annual director's fee.

#### **Share-Based Awards, Option based Awards and Non-Equity Incentive Plan Compensation**

Zara's board of directors will consider whether share-based awards, option based awards or whether to establish any non-equity incentive plans, as the case may be, should be established from time to time.

#### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director, executive officer or other senior officer of Zara, or any Associate of any such director or officer is, or has been at any time since the beginning of the most recently completed financial year of Zara, indebted to Zara nor is, or at any time since the incorporation of Zara has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Zara.

#### **INVESTOR RELATIONS ARRANGEMENTS**

Neither Zara nor the Corporation has entered into any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Corporation or Zara.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

##### **Auditors**

As at the date of this Information Circular, the auditors of Zara are parker simone LLP, Chartered Accountants, of 129 Lakeshore Rd E, Mississauga, Ontario, L5G 1E5 who will continue in that capacity for the ensuing year at a remuneration to be fixed by the Directors.

##### **Transfer Agent and Registrar**

The transfer agent and registrar of Zara will be Capital Transfer Agency Inc of 105 Adelaide Street West, Suite 1101, Toronto, Ontario M5H 1P9.

#### **RISK FACTORS**

Upon completion of the Plan of Arrangement, the Resulting Issuer's primary assets will consist of cash and mining assets. The business of the Resulting Issuer will be subject to numerous risk factors, as more particularly described below. Certain of the information set out in this Information Circular includes or is based upon expectations, estimates, projections or other "forward looking information." Such forward looking information includes projections or estimates made by the Resulting Issuer and its management as to the Resulting Issuer's future business operations. While statements concerning forward looking information, and any assumptions upon which they are based, are made in good faith and reflect the Resulting Issuer's current judgment regarding the direction of their business, actual results will almost certainly vary, sometimes materially, from any estimates, predictions, projections, assumptions or other performance suggested herein.

##### **Public Market Risk**

It is not possible to predict the price at which the Common Shares will trade and there can be no assurance that an active trading market for the Common Shares will be sustained. A publicly traded company will not necessarily trade at values determined solely by reference to the value of its assets. Accordingly, the Common Shares may trade at a premium or a discount to values implied by the value of its underlying assets. The market price for the Common Shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Resulting Issuer.

## **Liquidity and Additional Financing**

The Resulting Issuer believes that cash on hand, will be adequate to meet the Resulting Issuer's financial needs for the next 12 months following the completion of the Plan of Arrangement. The Resulting Issuer has insufficient funds to meet all the exploration requirements set out in the Riverbank-Broke Back Technical Report. Additional funds, by way of equity financings will need to be raised to finance the Resulting Issuer's exploration requirements on the Resulting Issuer's properties. There can be no assurance that the Resulting Issuer will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause the Resulting Issuer to reduce or terminate its operations.

## **Regulatory Requirements**

Even if the Resulting Issuer's properties are proven to host economic reserves of precious or non precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Resulting Issuer and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of the Resulting Issuer's properties, environmental legislation and mine safety.

## **Exploration and Mining Risks**

The Resulting Issuer's properties are without any known body of commercial mineralization. Development of the Resulting Issuer's properties depends on satisfactory exploration or development results. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The profitability of the Resulting Issuer's operations will be in part directly related to the cost and success of its exploration programs, if any, which may be affected by a number of factors beyond the Resulting Issuer's control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Resulting Issuer has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamond, precious and non precious metals, any of which could result in work stoppages, damage to the Resulting Issuer's properties, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fires, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are involved in mineral exploration, development and operation. The Resulting Issuer may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the financial position of the Resulting Issuer.

The Resulting Issuer will continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to determine if mineralization reserves exist through drilling, to develop processes to extract the precious and non precious metals from the mineralization and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis or at all. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of mineralization mined, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access of the Resulting Issuer's properties in which the Resulting Issuer has or may have an interest will have an adverse effect on profitability in that infrastructure costs will be higher.

## **Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Resulting Issuer may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and cause insolvency and/or a decline in the value of the securities of the Resulting Issuer.

## **No Assurance of Title to Properties**

Although the Resulting Issuer has conducted its own investigation of legal title to the Resulting Issuer's properties, the Resulting Issuer's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. The Resulting Issuer is satisfied, however, that evidence of title to the Resulting Issuer's properties is adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on the Resulting Issuer's properties.

## **Permits and Licenses**

The operations of the Resulting Issuer may require licenses and permits from various governmental authorities. There can be no assurance that the Resulting Issuer will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

## **Challenges by First Nations**

In 2005, the Supreme Court of Canada determined that there is a duty on the government to consult with and, where appropriate, accommodate where government decisions have the potential to adversely affect treaty rights of First Nations. The Supreme Court of Canada Court found that third parties are not responsible for consultation or accommodation of aboriginal interests and that this responsibility lies with government. If the Federal Government fails to consult with First Nations before issuing any permits, licenses, mineral claims, mineral leases, mineral licenses or surface rights (collectively, "permits"), there may be valid challenges to any such permits which could affect the development of the Resulting Issuer's properties. The Resulting Issuer is committed to consulting with local First Nations to gain an understanding of how the use of the Resulting Issuer's properties may impact upon the exercise of their asserted aboriginal and treaty rights.

## **Competition**

The mineral exploitation industry is intensely competitive in all its phases. The Resulting Issuer competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of the Resulting Issuer may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Resulting Issuer not receiving an adequate return on invested capital or losing its invested capital.

## **Environmental Regulations**

The Resulting Issuer's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a

manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Resulting Issuer's operations. The Resulting Issuer intends to fully comply with all environmental regulations.

### **Infrastructure**

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Resulting Issuer's future operations.

### **Fluctuating Price**

The Resulting Issuer's revenues, if any, are expected to be in large part derived from the mining and sale of precious and non precious metals. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Resulting Issuer's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, consumption patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of base and precious metals and therefore the economic viability of any of the Resulting Issuer's projects cannot be accurately predicted.

### **Reliance on Key Personnel**

The Resulting Issuer's performance is substantially dependent on the performance and efforts of its board of directors and management. The loss of the services of any member of the Resulting Issuer Board could have a material adverse effect on its business, results of operations and financial condition, the Resulting Issuer does not carry any key man insurance.

## **INTERESTS OF EXPERTS**

To the knowledge of management of the Corporation and the Resulting Issuer, no professional person providing an expert opinion in these materials nor does any Associate or Affiliate of such person have a any beneficial interest, direct or indirect, in any securities or property of the Corporation, the Resulting Issuer or of an Associate or Affiliate of any of them, and no professional person is expected to be elected, appointed or employed as a director, senior officer or employee of the Resulting Issuer or an Associate or Affiliate thereof.

## **APPLICATION FOR CONDITIONAL APPROVAL**

The Corporation has applied to the Exchange for conditional approval of the proposed listing of Zara shares on the CNSX. As of the date of this Information Circular, Zara has not yet received conditional approval of the listing and no assurances can be provided that Zara will obtain conditional approval of the listing. The proposed listing is subject to Zara fulfilling all of the requirements of the Exchange.

## **OTHER MATERIAL FACTS**

The Corporation is not aware of any other material facts relating to the Corporation, or the Resulting Issuer or to the Plan of Arrangement that are not disclosed under the preceding items and are necessary in order for the Information Circular to contain full, true and plain disclosure of all material facts relating to the Corporation, and the Resulting Issuer, other than those set forth herein.

## TAX CONSIDERATIONS

**THIS INFORMATION CIRCULAR DOES NOT CONTAIN ANY INFORMATION CONCERNING THE TAX CONSEQUENCES OF THE PLAN OF ARRANGEMENT. THERE MAY BE MATERIAL TAX CONSEQUENCES OF THE PLAN OF ARRANGEMENT TO SHAREHOLDERS. EACH SHAREHOLDER SHOULD CONSULT WITH SUCH SHAREHOLDER'S OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE PLAN OF ARRANGEMENT APPLICABLE TO SUCH SHAREHOLDER.**

## BOARD APPROVAL

This Information Circular has been approved by the directors of the Corporation. Where information contained in this Information Circular rests particularly within the knowledge of a Person other than the Corporation, the Corporation has relied upon information furnished by such Person.

## Other Business

Management is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting accompanying this Information Circular. If any other business properly comes before the Meeting, it is the intention of the persons named in the accompanying form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

## ADDITIONAL INFORMATION CONCERNING WINSTON

Additional information relating to the Corporation may be found on SEDAR. Financial information of the Corporation is provided in the comparative financial statements and management discussion and analysis of the Corporation for the most recently completed financial year. Under NI 51-102, any person or company who wishes to receive interim financial statements from the Corporation may deliver a written request for such material to the Corporation or the Corporation's agent, together with a signed statement that the person or company is the owner of securities of the Corporation. Shareholders who wish to receive interim financial statements are encouraged to send the enclosed mail card, together with the completed form of proxy, in the addressed envelope provided, to the Corporation's transfer agent, Capital Transfer Agency Inc., at their proxy department located at 1101 – 105 Adelaide Street West, Toronto, Ontario M5H 1P9, or faxed to (416) 350-5008. The Corporation maintains a supplemental mailing list of persons or companies wishing to receive interim financial statements.

## DIRECTORS' APPROVAL

The contents and the sending of this Information Circular to the Shareholders of the Corporation have been approved by the Board of Directors. Unless otherwise specified, information contained in this Information Circular is given as of October 31, 2012.

**DATED** at Toronto, Ontario this 1<sup>st</sup> day of November 2012.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) *"Daniel Wettreich"*

Daniel Wettreich  
Chairman

**SCHEDULE A  
CORPORATION STOCK OPTION PLAN**

**WINSTON RESOURCES INC.  
(the "Corporation")**

**STOCK OPTION PLAN**

**1. Purpose**

The purpose of the Plan is to: (i) provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer objectives of the Corporation; (ii) give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and (iii) attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

**2. Definitions and Interpretation**

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **"Board of Directors"** means the Board of Directors of the Corporation;
- (b) **"Common Shares"** means common shares in the capital of the Corporation;
- (c) **"Corporation"** means Winston Resources Inc. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (d) **"Discounted Market Price"** means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (e) **"Exchange"** means the Canadian National Stock Exchange or any other stock exchange on which the Common Shares are listed;
- (f) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (g) **"Insider"** has the meaning ascribed thereto in Exchange Policies;
- (h) **"Market Price"** at any date in respect of the Common Shares shall be the closing price of such Common Shares on any Exchange (and if listed on more than one Exchange, then the highest of such closing prices) on the last business day prior to the date of grant (or, if such Common Shares are not then listed and posted for trading on the Exchange, on such stock exchange in Canada on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Board of Directors). In the event that such Common Shares did not trade on such business day, the Market Price shall be the average of the bid and asked prices in respect of such Common Shares at the close of trading on such date. In the event that such Common Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Common Shares as determined by the Board of Directors in its sole discretion;
- (i) **"Option"** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;

(j) **“Option Period”** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is ten (10) years from the date the Option is granted;

(k) **“Optionee”** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan;

(l) **“Plan”** shall mean the Corporation's incentive stock option plan as embodied herein and as from time to time amended;

(m) **“Securities Act”** means the *Securities Act* (Ontario), as amended, or such other successor legislation as may be enacted, from time to time; and

(n) **“Securities Laws”** means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject, including, without limitation, the Securities Act.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policies, including without limitation “Consultant”, “Disinterested Shareholder Approval”, “Employee”, “Insider”, “Investor Relations Activities” and “Management Company Employee”.

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

### **3. Administration**

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

### **4. Eligibility**

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

### **5. Participation**

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to

continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

## **6. Common Shares Subject to Options**

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. The Options granted under the Plan together with all of the Corporation'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 issued and 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 one (1) Optionee within a twelve month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares unless the Corporation 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 Corporation'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 Corporation's issued and outstanding Common Shares.

Appropriate adjustments shall be made as set forth in Section 15 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of the Plan.

## **7. Option Agreement**

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "**Stock Option Agreement**"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.



## **8. Option Period and Exercise Price**

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the “**Expiry Date**”), subject to earlier termination as provided in Sections 11 and 12 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulator) authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

In addition to any resale restrictions under Securities Laws, any Option granted under this Plan and any Common Shares issued upon the due exercise of any such Option so granted will be subject to a four-month Exchange hold period commencing from the date of grant of the Option, if the exercise price of the Option is granted at less than the Market Price, in which case the Option, and the Common Shares issued upon due exercise of the Option, if applicable, will bear the following legend:

“Without prior written approval of the Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [four months and one day from the date of grant].”

## **9. Exercise of Options**

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 11 and 12 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

Notwithstanding any other provision hereof, Options granted to persons engaged to provide Investor Relations Activities shall vest in stages over a period of 12 months from the date of grant with no more than 1/4 of any such Options granted vesting in any three-month period.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of: (i) a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised; (ii) cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised; and (iii) make suitable arrangements with the Corporation, in accordance with Section 10, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of an Option (the “**Withholding Obligations**”).

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, including, without limitation, the 1933 Act, the United States Securities and Exchange Act of 1934, as amended, applicable U.S. state laws, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

## **10. Withholding Taxes**

Upon the exercise of an Option by an Optionee, the Corporation shall have the right to require the Optionee to remit to the Corporation an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board of Directors or by applicable law, satisfaction of the amount of the Withholding Obligations (the “**Withholding Amount**”) may be accomplished by any of the following methods or by a combination of such methods as determined by the Corporation in its sole discretion:

(i) the tendering by the Optionee of cash payment to the Corporation in an amount less than or equal to the Withholding Amount; or

(ii) the withholding by the Corporation from the Common Shares otherwise due to the Optionee such number of Common Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the option agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Corporation an irrevocable power of attorney to effect the sale of such Common Shares and to have acknowledged and agreed that the Corporation does not accept responsibility for the price obtained on the sale of such Common Shares;

(iii) the withholding by the Corporation from any cash payment otherwise due by the Corporation to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount; provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Common Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the option agreement shall provide that the Optionee (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Plan and an acknowledgement that neither the Board of Directors nor the Corporation shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Plan and none of the Board of Directors, the Corporation, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

#### **11. Ceasing to be a Director, Officer, Employee or Consultant**

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

#### **12. Death of Optionee**

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

(a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and

(b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

#### **13. Optionee's Rights Not Transferable**

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

#### **14. Takeover or Change of Control**

The Corporation shall have the power, in the event of:

(a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or

(b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

#### **15. Anti-Dilution of the Option**

In the event of:

(a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;

(b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change; or

(c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

#### **16. Costs**

The Corporation shall pay all costs of administering the Plan.

#### **17. Termination and Amendment**

(a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or

termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.

(b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 17(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, Disinterested Shareholder Approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.

(c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

#### **18. Applicable Law**

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

#### **19. Effective Date**

This Plan will become effective as of and from June 22, 2012.

## SCHEDULE B

### HADLEY STOCK OPTION PLAN

#### HADLEY MINING INC. (the "Corporation")

#### STOCK OPTION PLAN

##### 1. Purpose

The purpose of the Plan is to: (i) provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer objectives of the Corporation; (ii) give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and (iii) attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

##### 2. Definitions and Interpretation

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **"Board of Directors"** means the Board of Directors of the Corporation;
- (b) **"Common Shares"** means common shares in the capital of the Corporation;
- (c) **"Corporation"** means Hadley Mining Inc. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (d) **"Discounted Market Price"** means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (e) **"Exchange"** means the Canadian National Stock Exchange or any other stock exchange on which the Common Shares are listed;
- (f) **"Exchange Policies"** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (g) **"Insider"** has the meaning ascribed thereto in Exchange Policies;
- (h) **"Market Price"** at any date in respect of the Common Shares shall be the closing price of such Common Shares on any Exchange (and if listed on more than one Exchange, then the highest of such closing prices) on the last business day prior to the date of grant (or, if such Common Shares are not then listed and posted for trading on the Exchange, on such stock exchange in Canada on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Board of Directors). In the event that such Common Shares did not trade on such business day, the Market Price shall be the average of the bid and asked prices in respect of such Common Shares at the close of trading on such date. In the event that such Common Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Common Shares as determined by the Board of Directors in its sole discretion;
- (i) **"Option"** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;

(j) **“Option Period”** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is ten (10) years from the date the Option is granted;

(k) **“Optionee”** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan;

(l) **“Plan”** shall mean the Corporation's incentive stock option plan as embodied herein and as from time to time amended;

(m) **“Securities Act”** means the *Securities Act* (Ontario), as amended, or such other successor legislation as may be enacted, from time to time; and

(n) **“Securities Laws”** means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject, including, without limitation, the Securities Act.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policies, including without limitation “Consultant”, “Disinterested Shareholder Approval”, “Employee”, “Insider”, “Investor Relations Activities” and “Management Company Employee”.

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

### **3. Administration**

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

### **4. Eligibility**

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

### **5. Participation**

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to

continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

## **6. Common Shares Subject to Options**

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. The Options granted under the Plan together with all of the Corporation'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 issued and 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 one (1) Optionee within a twelve month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares unless the Corporation 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 Corporation'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 Corporation's issued and outstanding Common Shares. Appropriate adjustments shall be made as set forth in Section 15 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of the Plan.

## **7. Option Agreement**

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the "**Stock Option Agreement**"). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

## 8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the “**Expiry Date**”), subject to earlier termination as provided in Sections 11 and 12 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulator’s authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

In addition to any resale restrictions under Securities Laws, any Option granted under this Plan and any Common Shares issued upon the due exercise of any such Option so granted will be subject to a four-month Exchange hold period commencing from the date of grant of the Option, if the exercise price of the Option is granted at less than the Market Price, in which case the Option, and the Common Shares issued upon due exercise of the Option, if applicable, will bear the following legend:

“Without prior written approval of the Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [four months and one day from the date of grant].”

## 9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 11 and 12 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

Notwithstanding any other provision hereof, Options granted to persons engaged to provide Investor Relations Activities shall vest in stages over a period of 12 months from the date of grant with no more than 1/4 of any such Options granted vesting in any three-month period.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of: (i) a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised; (ii) cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised; and (iii) make suitable arrangements with the Corporation, in accordance with Section 10, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of an Option (the “**Withholding Obligations**”).

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, including, without limitation, the 1933 Act, the United States Securities and Exchange Act of 1934, as amended, applicable U.S. state laws, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

## 10. Withholding Taxes

Upon the exercise of an Option by an Optionee, the Corporation shall have the right to require the Optionee to remit to the Corporation an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board of Directors or by applicable law, satisfaction of the amount of the Withholding Obligations (the “**Withholding Amount**”) may be accomplished by any of the following methods or by a combination of such methods as determined by the Corporation in its sole discretion:



(i) the tendering by the Optionee of cash payment to the Corporation in an amount less than or equal to the Withholding Amount; or

(ii) the withholding by the Corporation from the Common Shares otherwise due to the Optionee such number of Common Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the option agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Corporation an irrevocable power of attorney to effect the sale of such Common Shares and to have acknowledged and agreed that the Corporation does not accept responsibility for the price obtained on the sale of such Common Shares;

(iii) the withholding by the Corporation from any cash payment otherwise due by the Corporation to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount; provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Common Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the option agreement shall provide that the Optionee (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Plan and an acknowledgement that neither the Board of Directors nor the Corporation shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Plan and none of the Board of Directors, the Corporation, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

#### **11. Ceasing to be a Director, Officer, Employee or Consultant**

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

#### **12. Death of Optionee**

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

(a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and

(b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

#### **13. Optionee's Rights Not Transferable**

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

#### **14. Takeover or Change of Control**

The Corporation shall have the power, in the event of:

(a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or

(b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

#### **15. Anti-Dilution of the Option**

In the event of:

(a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;

(b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change; or

(c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

#### **16. Costs**

The Corporation shall pay all costs of administering the Plan.

#### **17. Termination and Amendment**

(a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or

termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.

(b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 17(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, Disinterested Shareholder Approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.

(c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

#### **18. Applicable Law**

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

#### **19. Effective Date**

This Plan will become effective as of and from December 5, 2012.

**SCHEDULE C**  
**ZARA STOCK OPTION PLAN**  
**ZARA RESOURCES INC.**  
**(the “Corporation”)**  
**STOCK OPTION PLAN**

**1. Purpose**

The purpose of the Plan is to: (i) provide an incentive to the directors, officers, employees, consultants and other personnel of the Corporation or any of its subsidiaries to achieve the longer objectives of the Corporation; (ii) give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and (iii) attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

**2. Definitions and Interpretation**

When used in this Plan, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

- (a) **“Board of Directors”** means the Board of Directors of the Corporation;
- (b) **“Common Shares”** means common shares in the capital of the Corporation;
- (c) **“Corporation”** means Zara Resources Inc. and any successor corporation and any reference herein to action by the Corporation means action by or under the authority of its Board of Directors or a duly empowered committee appointed by the Board of Directors;
- (d) **“Discounted Market Price”** means the last per share closing price for the Common Shares on the Exchange before the date of grant of an Option, less any applicable discount under Exchange Policies;
- (e) **“Exchange”** means the Canadian National Stock Exchange or any other stock exchange on which the Common Shares are listed;
- (f) **“Exchange Policies”** means the policies of the Exchange, including those set forth in the Corporate Finance Manual of the Exchange;
- (g) **“Insider”** has the meaning ascribed thereto in Exchange Policies;
- (h) **“Market Price”** at any date in respect of the Common Shares shall be the closing price of such Common Shares on any Exchange (and if listed on more than one Exchange, then the highest of such closing prices) on the last business day prior to the date of grant (or, if such Common Shares are not then listed and posted for trading on the Exchange, on such stock exchange in Canada on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Board of Directors). In the event that such Common Shares did not trade on such business day, the Market Price shall be the average of the bid and asked prices in respect of such Common Shares at the close of trading on such date. In the event that such Common Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Common Shares as determined by the Board of Directors in its sole discretion;
- (i) **“Option”** means an option granted by the Corporation to an Optionee entitling such Optionee to acquire a designated number of Common Shares from treasury at a price determined by the Board of Directors;

(j) **“Option Period”** means the period determined by the Board of Directors during which an Optionee may exercise an Option, not to exceed the maximum period permitted by the Exchange, which maximum period is ten (10) years from the date the Option is granted;

(k) **“Optionee”** means a person who is a director, officer, employee, consultant or other personnel of the Corporation or a subsidiary of the Corporation; a corporation wholly-owned by such persons; or any other individual or body corporate who may be granted an option pursuant to the requirements of the Exchange, who is granted an Option pursuant to this Plan;

(l) **“Plan”** shall mean the Corporation's incentive stock option plan as embodied herein and as from time to time amended;

(m) **“Securities Act”** means the *Securities Act* (Ontario), as amended, or such other successor legislation as may be enacted, from time to time; and

(n) **“Securities Laws”** means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject, including, without limitation, the Securities Act.

Capitalized terms in the Plan that are not otherwise defined herein shall have the meaning set out in the Exchange Policies, including without limitation “Consultant”, “Disinterested Shareholder Approval”, “Employee”, “Insider”, “Investor Relations Activities” and “Management Company Employee”.

Wherever the singular or masculine is used in this Plan, the same shall be construed as meaning the plural or feminine or body corporate and vice versa, where the context or the parties so require.

### **3. Administration**

The Plan shall be administered by the Board of Directors. The Board of Directors shall have full and final discretion to interpret the provisions of the Plan and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Plan. All decisions and interpretations made by the Board of Directors shall be binding and conclusive upon the Corporation and on all persons eligible to participate in the Plan, subject to shareholder approval if required by the Exchange. Notwithstanding the foregoing or any other provision contained herein, the Board of Directors shall have the right to delegate the administration and operation of the Plan to a special committee of directors appointed from time to time by the Board of Directors, in which case all references herein to the Board of Directors shall be deemed to refer to such committee.

### **4. Eligibility**

The Board of Directors may at any time and from time to time designate those Optionees who are to be granted an Option pursuant to the Plan and grant an Option to such Optionee. Subject to Exchange Policies and the limitations contained herein, the Board of Directors is authorized to provide for the grant and exercise of Options on such terms (which may vary as between Options) as it shall determine. No Option shall be granted to any person except upon recommendation of the Board of Directors. A person who has been granted an Option may, if he is otherwise eligible and if permitted by Exchange Policies, be granted an additional Option or Options if the Board of Directors shall so determine. Subject to Exchange Policies, the Corporation shall represent that the Optionee is a bona fide Employee, Consultant or Management Company Employee (as such terms are defined in Exchange Policies) in respect of Options granted to such Optionees.

### **5. Participation**

Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Optionee's relationship or employment with the Corporation.

Notwithstanding any express or implied term of this Plan or any Option to the contrary, the granting of an Option pursuant to the Plan shall in no way be construed as conferring on any Optionee any right with respect to

continuance as a director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation.

Options shall not be affected by any change of employment of the Optionee or by the Optionee ceasing to be a director or officer of or a consultant to the Corporation or any of its subsidiaries, where the Optionee at the same time becomes or continues to be a director, officer or full-time employee of or a consultant to the Corporation or any of its subsidiaries.

No Optionee shall have any of the rights of a shareholder of the Corporation in respect to Common Shares issuable on exercise of an Option until such Common Shares shall have been paid for in full and issued by the Corporation on exercise of the Option, pursuant to this Plan.

## **6. Common Shares Subject to Options**

The number of authorized but unissued Common Shares that may be issued upon the exercise of Options granted under the Plan at any time plus the number of Common Shares reserved for issuance under outstanding incentive stock options otherwise granted by the Corporation shall not exceed 10% of the issued and outstanding Common Shares on a non-diluted basis at any time, and such aggregate number of Common Shares shall automatically increase or decrease as the number of issued and outstanding Common Shares changes. The Options granted under the Plan together with all of the Corporation'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 issued and 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 one (1) Optionee within a twelve month period, of a number of Options exceeding 5% of the issued and outstanding Common Shares unless the Corporation 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 Corporation'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 Corporation's issued and outstanding Common Shares.

Appropriate adjustments shall be made as set forth in Section 15 hereof, in both the number of Common Shares covered by individual grants and the total number of Common Shares authorized to be issued hereunder, to give effect to any relevant changes in the capitalization of the Corporation.

If any Option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased Common Shares subject thereto shall again be available for the purpose of the Plan.

## **7. Option Agreement**

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to option, the exercise price and any other terms and conditions approved by the Board of Directors, all in accordance with the provisions of this Plan (herein referred to as the **"Stock Option Agreement"**). The Stock Option Agreement will be in such form as the Board of Directors may from time to time approve, and may contain such terms as may be considered necessary in order that the Option will comply with any provisions respecting options in the income tax or other laws in force in any country or jurisdiction of which the Optionee may from time to time be a resident or citizen or the rules of any regulatory body having jurisdiction over the Corporation.

## 8. Option Period and Exercise Price

Each Option and all rights thereunder shall be expressed to expire on the date set out in the respective Stock Option Agreement, which shall be the date of the expiry of the Option Period (the “**Expiry Date**”), subject to earlier termination as provided in Sections 11 and 12 hereof.

Subject to Exchange Policies and any limitations imposed by any relevant regulator’s authority, the exercise price of an Option granted under the Plan shall be as determined by the Board of Directors when such Option is granted and shall be an amount at least equal to the Discounted Market Price of the Common Shares.

In addition to any resale restrictions under Securities Laws, any Option granted under this Plan and any Common Shares issued upon the due exercise of any such Option so granted will be subject to a four-month Exchange hold period commencing from the date of grant of the Option, if the exercise price of the Option is granted at less than the Market Price, in which case the Option, and the Common Shares issued upon due exercise of the Option, if applicable, will bear the following legend:

“Without prior written approval of the Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [four months and one day from the date of grant].”

## 9. Exercise of Options

An Optionee shall be entitled to exercise an Option granted to him at any time prior to the expiry of the Option Period, subject to Sections 11 and 12 hereof and to vesting limitations which may be imposed by the Board of Directors at the time such Option is granted. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist.

Notwithstanding any other provision hereof, Options granted to persons engaged to provide Investor Relations Activities shall vest in stages over a period of 12 months from the date of grant with no more than 1/4 of any such Options granted vesting in any three-month period.

The exercise of any Option will be conditional upon receipt by the Corporation at its head office of: (i) a written notice of exercise, specifying the number of Common Shares in respect of which the Option is being exercised; (ii) cash payment, certified cheque or bank draft for the full purchase price of such Common Shares with respect to which the Option is being exercised; and (iii) make suitable arrangements with the Corporation, in accordance with Section 10, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of an Option (the “**Withholding Obligations**”).

Common Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Common Shares pursuant thereto shall comply with all relevant provisions of applicable securities law, including, without limitation, the 1933 Act, the United States Securities and Exchange Act of 1934, as amended, applicable U.S. state laws, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or consolidated stock price reporting system on which prices for the Common Shares are quoted at any given time. As a condition to the exercise of an Option, the Corporation may require the person exercising such Option to represent and warrant at the time of any such exercise that the Common Shares are being purchased only for investment and without any present intention to sell or distribute such Common Shares if, in the opinion of counsel for the Corporation, such a representation is required by law.

## 10. Withholding Taxes

Upon the exercise of an Option by an Optionee, the Corporation shall have the right to require the Optionee to remit to the Corporation an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board of Directors or by applicable law, satisfaction of the amount of the Withholding Obligations (the “**Withholding Amount**”) may be accomplished by any of the following methods or by a combination of such methods as determined by the Corporation in its sole discretion:

(i) the tendering by the Optionee of cash payment to the Corporation in an amount less than or equal to the Withholding Amount; or

(ii) the withholding by the Corporation from the Common Shares otherwise due to the Optionee such number of Common Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the option agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Corporation an irrevocable power of attorney to effect the sale of such Common Shares and to have acknowledged and agreed that the Corporation does not accept responsibility for the price obtained on the sale of such Common Shares;

(iii) the withholding by the Corporation from any cash payment otherwise due by the Corporation to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount; provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Common Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the option agreement shall provide that the Optionee (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Plan and an acknowledgement that neither the Board of Directors nor the Corporation shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Plan and none of the Board of Directors, the Corporation, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

#### **11. Ceasing to be a Director, Officer, Employee or Consultant**

If an Optionee ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries for any reason other than death, the Optionee may, but only within ninety (90) days after the Optionee's ceasing to be a director, officer, employee or consultant (or 30 days in the case of an Optionee engaged in Investor Relations Activities) or prior to the expiry of the Option Period, whichever is earlier, exercise any Option held by the Optionee, but only to the extent that the Optionee was entitled to exercise the Option at the date of such cessation. For greater certainty, any Optionee who is deemed to be an employee of the Corporation pursuant to any medical or disability plan of the Corporation shall be deemed to be an employee for the purposes of the Plan.

#### **12. Death of Optionee**

In the event of the death of an Optionee, the Option previously granted to him shall be exercisable within one (1) year following the date of the death of the Optionee or prior to the expiry of the Option Period, whichever is earlier, and then only:

(a) by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or the laws of descent and distribution, or by the Optionee's legal personal representative; and

(b) to the extent that the Optionee was entitled to exercise the Option at the date of the Optionee's death.

#### **13. Optionee's Rights Not Transferable**

No right or interest of any Optionee in or under the Plan is assignable or transferable, in whole or in part, either directly or by operation of law or otherwise in any manner except by bequeath or the laws of descent and distribution, subject to the requirements of the Exchange, or as otherwise allowed by the Exchange.

Subject to the foregoing, the terms of the Plan shall bind the Corporation and its successors and assigns, and each Optionee and his heirs, executors, administrators and personal representatives.

#### **14. Takeover or Change of Control**

The Corporation shall have the power, in the event of:



(a) any disposition of all or substantially all of the assets of the Corporation, or the dissolution, merger, amalgamation or consolidation of the Corporation with or into any other corporation or of such corporation into the Corporation, or

(b) any change in control of the Corporation,

to make such arrangements as it shall deem appropriate for the exercise of outstanding Options or continuance of outstanding Options, including without limitation, to amend any Stock Option Agreement to permit the exercise of any or all of the remaining Options prior to the completion of any such transaction. If the Corporation shall exercise such power, the Option shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Corporation prior to the completion of such transaction.

## **15. Anti-Dilution of the Option**

In the event of:

(a) any subdivision, redivision or change of the Common Shares at any time during the term of the Option into a greater number of Common Shares, the Corporation shall deliver, at the time of any exercise thereafter of the Option, such number of Common Shares as would have resulted from such subdivision, redivision or change if the exercise of the Option had been made prior to the date of such subdivision, redivision or change;

(b) any consolidation or change of the Common Shares at any time during the term of the Option into a lesser number of Common Shares, the number of Common Shares deliverable by the Corporation on any exercise thereafter of the Option shall be reduced to such number of Common Shares as would have resulted from such consolidation or change if the exercise of the Option had been made prior to the date of such consolidation or change; or

(c) any reclassification of the Common Shares at any time outstanding or change of the Common Shares into other shares, or in case of the consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in a reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or in case of any transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation, at any time during the term of the Option, the Optionee shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which he was theretofore entitled upon exercise of the Option, the kind and amount of shares and other securities or property which such holder would have been entitled to receive as a result of such reclassification, change, consolidation, amalgamation, merger or transfer if, on the effective date thereof, he had been the holder of the number of Common Shares to which he was entitled upon exercise of the Option.

Adjustments shall be made successively whenever any event referred to in this section shall occur. For greater certainty, the Optionee shall pay for the number of shares, other securities or property as aforesaid, the amount the Optionee would have paid if the Optionee had exercised the Option prior to the effective date of such subdivision, redivision, consolidation or change of the Common Shares or such reclassification, consolidation, amalgamation, merger or transfer, as the case may be.

## **16. Costs**

The Corporation shall pay all costs of administering the Plan.

## **17. Termination and Amendment**

(a) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder at any time without the approval of the shareholders of the Corporation or any Optionee whose Option is amended or terminated, in order to conform this Plan or such Option, as the case may be, to applicable law or regulation or the requirements of the Exchange or any relevant regulatory authority, whether or not such amendment or

termination would affect any accrued rights, subject to the approval of the Exchange or such regulatory authority.

(b) The Board of Directors may amend or terminate this Plan or any outstanding Option granted hereunder for any reason other than the reasons set forth in Section 17(a) hereof, subject to the approval of the Exchange or any relevant regulatory authority and the approval of the shareholders of the Corporation if required by the Exchange or such regulatory authority. Subject to Exchange Policies, Disinterested Shareholder Approval will be obtained for any reduction in the exercise price of an Option if the Optionee is an Insider of the Corporation at the time of the proposed amendment. No such amendment or termination will, without the consent of an Optionee, alter or impair any rights which have accrued to him prior to the effective date thereof.

(c) The Plan, and any amendments thereto, shall be subject to acceptance and approval by the Exchange. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless and until such approval and acceptance are given.

#### **18. Applicable Law**

This Plan shall be governed by, administered and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

#### **19. Effective Date**

This Plan will become effective as of and from December 5, 2012.

## SCHEDULE D

### FORM 58-101F2 CORPORATE GOVERNANCE DISCLOSURE

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”), the Corporation is required and hereby discloses its corporate governance practices as of the date of this Information Circular:

#### 1. Board of Directors

As at December 5, 2012 the board of directors (the “Board”) is comprised of four directors.

Scott White and Brian Crawford are “independent” (as that term is defined in NI 58-101) directors of the Corporation in that they are free from any interest and any business or other relationship which could or could reasonably be perceived to, materially interfere with the directors' ability to act with the best interests of the Corporation, other than the interests and relationships arising from shareholdings.

Daniel Wettreich and Mark Wettreich are senior officers of the Corporation, and are therefore not “independent”, as that term is defined in NI 58-101.

The Board facilitates its exercise of independent supervision over the Corporation's management through frequent discussions with management and regular meetings of the Board.

#### 2. Directorships

| Name of Director | Name of Reporting Issuer                                    |
|------------------|---|
| Daniel Wettreich | Winston Resources Inc.                                      |
| Brian Crawford   | Winston Resources Inc., GTA Resources and Mining Inc, Green |
| Scott F. White   | Winston Resources Inc., Triumph Ventures II Corp            |
| Mark Wettreich   | Winston Resources Inc.                                      |

#### 3. Orientation and Continuing Education

While the Corporation does not have formal orientation and training programs, new directors are provided with access to publicly filed documents of the Corporation, technical reports, internal financial information, and management and technical experts and consultants.

#### 4. Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation. Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the Board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction.

#### 5. Nomination of Directors

The Board of Directors is responsible for identifying individuals believed to be qualified to become board members, consistent with criteria approved by the Board, and to nominate to stand for election at the

Corporation's annual meeting of shareholders or, if applicable, at a special meeting of the shareholders. In case of vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Board shall fill each such vacancy either through appointment by the Board or through election by shareholders. In recommending candidates, the Board of Directors shall take into consideration the opinions of management of the Corporation, the criteria approved by the Board and such other factors as it deems appropriate. These factors shall include judgment, skill, integrity, independence, diversity, experience with business and organizations of comparable size, the interplay of a candidate's experience with the experience of other Board members', willingness to commit the necessary time and energy to serve as director, and a genuine interest in the Corporation's business, and the extent to which a candidate would be a desirable addition to the Board or any committees of the Board.

## **6. Compensation**

The Board of Directors provide an annual review of director and executive compensation to ensure development of a compensation strategy that properly aligns the interests of directors and executives with the long-term interests of the Corporation and its shareholders,

## **7. Board Committees**

The Board has established an Audit Committee. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the following areas: (i) the Corporation's external audit function; (ii) internal control and management information systems; (iii) the Corporation's accounting and financial reporting requirements; (iv) the Corporation's compliance with law and regulatory requirements; (v) the Corporation's risks and risk management policies; and (vi) such other functions as are delegated to it by the Board. Specifically, with respect to the Corporation's external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: (i) the quality and integrity of the Corporation's financial statements; (ii) the independent auditors' qualifications; and (iii) the performance of the Corporation's independent auditors.

The Audit Committee's primary duties and responsibilities are to:

- (a) serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements;
- (b) review and appraise the performance of the Corporation's external auditors; and
- (c) provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board.

The Audit Committee reports its deliberations and discussions regularly to the Board and submits to the Board the minutes of its meetings.



**SCHEDULE "E"**  
**FORM 52-110F2 AUDIT COMMITTEE DISCLOSURE**

**1. The Audit Committee's Charter**

The Corporation's Audit Committee Charter is attached hereto as Exhibit 1.

**2. Composition of the Audit Committee**

The audit committee of the Corporation (the "**Audit Committee**") consists of as many members as the board of directors (the "**Board**") shall determine, but in any event not fewer than three (3) members who are appointed by the Board. The composition of the Audit Committee shall meet all applicable independence, financial literacy and other legal and regulatory requirements. The majority of the members of the Audit Committee shall be free from any relationship that, in the opinion of the Board of Directors, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee, and at least one (1) member shall have "accounting or related financial experience". For the purposes of the Audit Committee's terms of reference, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The Board has appointed Daniel Wettreich, Scott F. White and Brian Crawford as members of the Audit Committee. All members of the Audit Committee are "financially literate" as that term is defined in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") and Scott White and Brian Crawford are "independent" as that term is defined in NI 52-110.

**3. Relevant Education and Experience**

| Name             | Independent<br>of the<br>Corporation | Financially<br>Literate | Relevant Education and Experience  |
|------------------|--------------------------------------|-------------------------|--|
| Daniel Wettreich | No                                   | Yes                     | Daniel Wettreich is a director and the Chairman, CEO and CFO of Winston Resources Inc. He has more than 38 years experience in venture capital, private equity, and management of publicly traded companies. He has been Chairman and CEO of Churchill Venture Capital LP, a Dallas, Texas private equity business, for more than 20 years, and is Managing Partner of Churchill Natural Resource Partners, LP, which invests in small cap mining companies. He has been a director of public companies listed on NASDAQ, the American Stock Exchange, the London Stock Exchange, the AIM Market of the London Stock Exchange, and the Vancouver Stock Exchange, a predecessor to the TSX Venture Exchange. These public companies have been in diverse businesses in internet technologies, oil and gas, retailing, telecommunications, media, and real estate. He has facilitated 12 reverse takeover transactions. He is a graduate of the University of Westminster with a BA in Business. |
| Scott F. White   | Yes                                  | Yes                     | Scott F. White is a director and member of the Audit Committee of Winston Resources Inc. Mr. White is director and founder of Parlay Entertainment, Inc., a software gaming company. Mr. White is a director of several public corporations listed on the TSXV and is  |

| Name           | Independent of the Corporation | Financially Literate | Relevant Education and Experience   |
|----------------|--------------------------------|----------------------|---|
| Brian Crawford | Yes                            | Yes                  | <p>active as a shareholder and director of numerous private corporations. Previously Mr. White was a founding partner and the Managing Partner of Bush, Frankel, &amp; White, Barristers &amp; Solicitors. He has a B.A. from the University of Toronto and an LLB from the University of Windsor.</p> <p>Brian Crawford is a director and member of the Audit Committee of Winston Resources Inc. Mr. Crawford is the Chief Financial Officer of GTA Resources and Mining, and also of Green Swan Capital. He is also a director and the Chief Financial Officer of Falcon Gold Corp. Mr. Crawford is the President of Brant Capital Partners Inc., a financial consulting firm, and previously was a Partner with BDO Dunwoody LLP Chartered Accountants. He obtained his C.A. designation in 1980 and a B.Comm from the University of Toronto in 1982.</p> |

#### Audit Committee Oversight

The Audit Committee has not made a recommendation to the Board of Directors to nominate or compensate an external auditor that has not been adopted by the Board.

#### 4. Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemptions contained in Section 2.4 (*De Minimis Non-audit Services*) or Section 8 (*Exemptions*) of NI 52-110. Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed five percent (5%) of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

#### 5. Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable by the Audit Committee, on a case by case basis.

#### 6. External Auditor Service Fees (By Category)

The aggregate fees charged to the Corporation by the external auditors for last two fiscal years are as follows:

| Nature of Services | Fees Paid to Auditor in Year-ended July 31,2011 | Fees Paid to Auditor in Year-ended July 31,2012 |
|--------------------|---|---|
| Audit Fees         | Nil   | Nil   |
| Audit-Related Fees | Nil   | Nil   |
| Tax Fees           | Nil   | Nil   |
| All Other Fees     | Nil   | Nil   |
| <b>Total</b>       | <b>Nil</b>                                      | <b>Nil</b>                                      |

Notes:

*"Audit Fees" include fees necessary to perform the annual audit and any quarterly reviews of the Corporation's financial statements. This includes fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. This also includes audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.*

*"Audit-Related Fees" include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are not included in "Audit Fees".*

*"Tax Fees" include fees for professional services rendered by the Corporation's auditors for tax compliance, tax advice and tax planning.*

*"All Other Fees" include fees for products and services provided by the Corporation's auditors other than the services included in "Audit Fees", "Audit-Related Fees" and "Tax Fees".*

## **7. Exemption**

The Corporation is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.



**Exhibit "1"**  
**Audit Committee Charter**

**Mandate**

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Corporation's financial reporting and internal control systems and review the Corporation's financial statements;
- review and appraise the performance of the Corporation's external auditors; and
- provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

**Composition**

The Audit Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee. At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements. The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting.

**Meetings**

The Audit Committee shall meet frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the external auditors.

**Responsibilities and Duties**

To fulfill its responsibilities and duties, the Audit Committee shall:

**Documents/Reports Review**

1. Review and update this Charter annually.
2. Review the Corporation's financial statements, MD&A and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.
3. Confirm that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements.

### **External Auditors**

1. Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Corporation.
2. Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Corporation, consistent with the Independence Standards Board Standard 1.
3. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
4. Take, or recommend that the full Board of Directors, take appropriate action to oversee the independence of the external auditors.
5. Recommend to the Board of Directors the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
6. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
7. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
8. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
9. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (a) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent of the total amount of fees paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;
  - (b) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
  - (c) such services are promptly brought to the attention of the Audit Committee by the Corporation and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee. Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

### **Financial Reporting Processes**

1. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
2. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
3. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.

4. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
5. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
6. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
7. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
8. Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
9. Review certification process.
10. Establish a procedure for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

**Other**

Review any related-party transactions.

**SCHEDULE "F"**  
**DRAFT NOTICE OF HEARING**

No.

Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN THE MATTER OF SECTION 288 OF THE  
*BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, C.57, AS AMENDED**

**AND**

**IN THE MATTER OF A PROPOSED ARRANGEMENT AMONG  
WINSTON RESOURCES INC, HADLEY MINING INC.,  
AND ZARA RESOURCES INC.**

**WINSTON RESOURCES INC.**

**Petitioner**

**NOTICE OF HEARING**

To: Hadley Mining Inc. Zara Resources Inc.

**TAKE NOTICE** that the Petition of Winston Resources Inc dated December\_\_2012 shall be heard before the presiding judge in Chambers at the courthouse at 800 Smithe Street, Vancouver, British Columbia on December\_\_2012 at 10 a.m. or as soon thereafter as counsel may be heard.

**1. Date of hearing**

The parties have agreed as to the date of the hearing of the petition.

The parties have been unable to agree as to the date of the hearing but notice of the hearing will be given to the petition respondents in accordance with Rule 16-1(8)(b) of the Supreme Court Civil Rules.

The petition is unopposed, by consent or without notice.

**2. Duration of hearing**

It has been agreed by the parties that the hearing will take 5 minutes.  The parties have been unable to agree as to how long the hearing will take and

(a) the time estimate of the petitionees) is ..... minutes, and

(b) the time estimate of the petition respondent(s) is..... minutes.

The petition respondents) has(ve) not given a time estimate.

**3. Jurisdiction**

This matter is within the jurisdiction of a master.

This matter is not within the jurisdiction of a master.

Date: December\_\_2012

Signature of  Filing party  Lawyer for filing party

## SCHEDULE "G"

### BCBCA DISSENT PROVISIONS

#### DIVISION 2 — DISSENT PROCEEDINGS

##### Definitions and application

237 (1) In this Division:

"**dissenter**" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"**notice shares**" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"**payout value**" means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2)

(c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement, or

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

##### Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles to alter restrictions on the powers of the company or on the business it is permitted to carry on;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

(d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

(e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;

(f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

(g) in respect of any other resolution, if dissent is authorized by the resolution;

(h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

(i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

### **Waiver of right to dissent**

**239** (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to

dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

### **Notice of resolution**

**240** (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

### **Notice of court orders**

**241** If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

### **Notice of dissent**

**242** (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
  - (i) the date on which the shareholder learns that the resolution was passed, and
  - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3)
- (b) as the last date by which notice of dissent must be sent, or
- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
- (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

- (a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;



(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

#### **Notice of intention to proceed**

**243** (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

(i) the date on which the company forms the intention to proceed, and

(ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

#### **Completion of dissent**

**244** (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
  - (b) the certificates, if any, representing the notice shares, and
  - (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.
- (2) The written statement referred to in subsection (1) (c) must
- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
  - (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
    - (i) the names of the registered owners of those other shares,
    - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
    - (iii) that dissent is being exercised in respect of all of those other shares.
- (3) After the dissenter has complied with subsection (1),
- (a) the dissenter is deemed to have sold to the company the notice shares, and
  - (b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.
- (4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.
- (5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.
- (6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

### **Payment for notice shares**

**245** (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

- (a) promptly pay that amount to the dissenter, or
  - (b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.
- (2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

#### **Loss of right to dissent**

**246** The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

(a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;

(b) the resolution in respect of which the notice of dissent was sent does not pass;

(c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;

- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

**Shareholders entitled to return of shares and rights**

**247** If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**SCHEDULE H**  
**ARRANGEMENT AGREEMENT and PLAN OF ARRANGEMENT**  
**-attached hereto-**

## ARRANGEMENT AGREEMENT

THIS AGREEMENT is dated as of the 12<sup>th</sup> day of October 2012

AMONG

**WINSTON RESOURCES INC.**, a company existing under the *Business Corporations Act* (British Columbia)

("Winston")

AND

**HADLEY MINING INC.**, a company existing under the *Business Corporations Act* (Ontario) and a wholly-owned subsidiary of Winston Resources Inc

("Hadley")

AND

**ZARA RESOURCES INC.**, a company existing under the *Business Corporations Act* (Ontario) and a wholly-owned subsidiary of Winston Resources Inc

("Zara")

WHEREAS:

A. Winston proposes wishes to reorganize its business by completing a spin-off of certain assets to its wholly-owned subsidiaries, Hadley and Zara, in consideration for shares of those companies, a portion of which it will then transfer to the Winston shareholders; and

B. The transaction will be completed by way of a statutory arrangement under the *Business Corporations Act* (British Columbia), subject to the terms and conditions hereinafter contained.

NOW THEREFORE in consideration of the covenants and agreements hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows: I

### ARTICLE 1

#### DEFINITIONS, INTERPRETATION AND SCHEDULES

##### 1.1 Definitions

In this Agreement

**"Agreement"** means this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not any particular section, article, schedule or other portion hereof;

**"Arrangement"** means the arrangement of the Parties pursuant to the BCA on the terms and conditions set forth in the Plan of Arrangement;

**"Arrangement Provisions"** means Part 9, Division 5 of the BCA;

**"Arrangement Resolution"** means the special resolution in respect to the Arrangement at the Winston Meeting;

**"Assets"** means the assets of Winston to be transferred to Hadley and Zara, respectively, pursuant to the Arrangement, as more particularly described in Schedule "A" attached hereto;

**"BCA"** means the *Business Corporations Act* (British Columbia), as amended;

**"Business Day"** means any day, other than a Saturday, a Sunday or a statutory holiday in Vancouver, British Columbia;

**"Circular"** means the management information circular to be prepared and sent to the Winston Shareholders in connection with the Meeting;

**"Court"** means the Supreme Court of British Columbia;

**"Dissenting Shareholder"** means a Winston Shareholder who validly exercises rights of dissent under the Arrangement and who will be entitled to be paid fair value for his, her or its Winston Shares in accordance with the Interim Order, the Final Order and the Plan of Arrangement;

**"Dissenting Shares"** means the Winston Shares in respect of which Dissenting Shareholders have exercised a right of dissent;

**"Effective Date"** means the Business Day following the date of the Final Order, the date that Arrangement shall become effective under the BCA;

**"Exchange"** means the Canadian National Stock Exchange;

**"Final Order"** means the order of the Court approving the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Governmental Entity"** means any (i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency, domestic or foreign; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

**"Hadley Shareholder"** means the sole holder of Hadley Shares, which shall remain Winston until the completion of the Plan of Arrangement;

**"Hadley Shares"** means the common shares in the capital of Hadley;

**"EFRS"** means International Financial Reporting Standards as issued by the IASB applicable to publicly accountable enterprises under applicable securities laws;

**"Interim Order"** means an interim order of the Court concerning the Arrangement, containing declarations and directions with respect to the Arrangement and the holding of the Winston Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Laws"** means all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, policies, notices, directions and judgements or other requirements of any Governmental Entity;

**"Parties"** means Winston, Hadley and Zara, and **"Party"** means either one of them;

**"Person"** includes an individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

**"Plan of Arrangement"** means the plan of arrangement substantially in the form and content annexed as Schedule "B" hereto and any amendment or variation thereto made in accordance with this Agreement;

**"Registrar"** means the Registrar of Companies for the Province of British Columbia duly appointed under the BCA;

**"Securities Authorities"** means all securities regulatory authorities with jurisdiction over the affairs of the Parties;

**"Taxes"** means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including, without limitation, all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes, franchise taxes, license taxes, withholding taxes, payroll taxes, employment taxes, Canada and Quebec Pension Plan premiums, employer health taxes, excise, severance, social security, workers' compensation, employment insurance or compensation taxes or premium, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest, fines and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing or that may become payable in respect thereof; and liability for any of the foregoing as a transferee or successor, guarantor or surety or in a similar capacity under any contract, arrangement, agreement, understanding or commitment (whether written or oral);

**"Tax Act"** means the *Income Tax Act* (Canada);

**"Tax Returns"** means all returns, schedules, elections, forms, notices, declarations, reports, information returns and statements filed or required to be filed with any taxing authority relating to Taxes;

**"Termination Date"** means December 31, 2012 or such later date as may be agreed upon by



the Parties;

**"Winston Meeting"** means the special meeting of the Winston Shareholders to be held on December 5, 2012, or such other date as may be deemed advisable by the board of directors of Winston, and any adjournment(s) or postponement(s) thereof;

**"Winston Shareholders"** means the holders of Winston Shares;

**"Winston Shares"** means the common shares in the capital of Winston;

**"Zara Shareholder"** means the sole holder of Zara Shares, which shall remain Winston until the completion of the Plan of Arrangement; and

**"Zara Shares"** means the common shares in the capital of Zara.

In addition, words and phrases used herein and defined in the BCA shall have the same meaning herein as in the BCA unless the context otherwise requires.

## **12 Interpretation Not Affected by Headings**

The division of this Agreement into articles, sections, subsections, paragraphs, and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", "hereto", "hereunder", and similar expressions refer to this Agreement and the schedules attached hereto and not to any particular article, section, or other portion hereof and include any agreement, schedule, or instrument supplementary or ancillary hereto or thereto.

## **13 Number and Gender**

In this Agreement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter, and the word person and all words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture, or government (including any Governmental Entity, political subdivision or instrumentality thereof) and any other entity of any kind or nature whatsoever.

## **14 Date for any Action**

If the date on which any action is required to be taken hereunder by any party hereto is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

## **15 Statutory References**

Any reference in this Agreement to a statute includes all regulations and rules made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

## **16 Currency**

All references to money in this Agreement are expressed in the lawful currency of Canada.

## **17 Entire Agreement**

This Agreement, together with the agreements and documents herein and therein referred to, constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof.

### **1.8 Invalidity of Provisions**

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable Law, the parties hereto waive any provision of Law which renders any provision of this Agreement or any part thereof invalid or unenforceable in any respect. The Parties shall engage in good faith negotiations to replace any provision hereof or any part thereof which is declared invalid or unenforceable with a valid and enforceable provision or part thereof, the economic effect of which approximates as much as possible the invalid or unenforceable provision or part thereof which it replaces.

### **1.9 Accounting Matters**

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made hereunder shall be made in a manner consistent with IFRS.

### **1.10 Schedules**

The following schedules attached hereto are incorporated into and form an integral part of this Agreement:

**Schedule "A" - Plan of Arrangement**

**Schedule "B" - Assets**

## **ARTICLE 2**

### **THE ARRANGEMENT**

#### **2.1 Initial Court Proceeding**

As soon as is reasonably practicable after the date of execution of this Agreement, and if deemed advisable, Winston shall file with the Court, proceed with and diligently prosecute an application for an Interim Order providing for, among other things, the calling and holding of the Winston Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution. Upon receipt of the Interim Order, Winston, Hadley and Zara will proceed to carry out the terms of the Interim Order as soon as practicable, to the extent applicable to each.

#### **2.2 Information Circular and Winston Meeting**

As promptly as practical following the execution of this Agreement and in compliance with the Interim Order, the BCA, the Securities Laws and any other applicable laws, Winston shall:

- (a) prepare the Circular and cause such circular to be mailed to the Winston Shareholders and filed with all applicable regulatory authorities in all jurisdictions where the same are required to be mailed and filed; and

- (b) call and convene the Winston Meeting.

### **2.3 Final Court Proceeding**

Provided all necessary approvals for the Arrangement Resolution are obtained from the Winston Shareholders, upon the completion of the Meeting Winston shall forthwith submit the Arrangement to the Court for approval and apply for the Final Order.

### **2.4 Arrangement Procedure**

Unless this Agreement is terminated pursuant to the provisions herein, upon issuance by the Court of the Final Order and subject to the conditions precedent in Article 5, the Arrangement shall be carried out substantially on the terms set forth in the Plan of Arrangement, subject to such changes as may be mutually agreed to in writing by the Parties on the advice of their respective legal, tax, and financial advisors, and closing of the Arrangement shall proceed in accordance with Section 2.5.

### **2.5 Closing**

The Parties convene at • (Toronto time), or such other time as may be agreed upon, on the Effective Date for the purposes of closing and giving effect to the Arrangement. Upon closing, the transactions comprising the Arrangement shall occur and shall be deemed to have occurred without any further act or formality in the order set out in the Plan of Arrangement. On closing, each Parry shall deliver

- (a) all documents required to be delivered by it hereunder to complete the transactions contemplated hereby, provided that each such document required to be dated the Effective Date shall be dated as of, or become effective on, the Effective Date and shall be held in escrow to be released upon the occurrence of the Effective Date; and
- (b) written confirmation as to the satisfaction or waiver by it of the conditions in its favour set forth in Article 5 herein.

## **ARTICLE 3**

### **COVENANTS**

#### **3.1 Covenants Regarding the Arrangement**

From the date hereof until the Effective Date, Winston, Hadley and Zara, respectively, will use all reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under applicable laws to complete the Arrangement, including using reasonable efforts:

- (a) to obtain all necessary waivers, consents and approvals required to be obtained by it from any third parties to loan agreements, leases and other contracts;
- (b) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby; and
- (c) to effect all necessary registrations and filings and submissions of information requested by governmental authorities required to be effected by it in connection with the Arrangement.

### **3.2 Covenants Regarding Execution of Documents**

Winston, Hadley and Zara, respectively, will perform all such acts and things, and execute and deliver all such agreements, notices and other documents and instruments as may reasonably be required to facilitate the carrying out of the intent and purpose of this Agreement.

## **ARTICLE 4**

### **REPRESENTATIONS AND WARRANTIES**

#### **4.1 Representations and Warranties**

Each Party hereby represents and warrants to the other Parties that:

- (a) it is a corporation duly incorporated and validly subsisting under the laws of its jurisdiction of existence, and has full capacity and authority to enter into this Agreement and to perform its covenants and obligations hereunder;
- (b) it has taken all corporate actions necessary to authorize the execution and delivery of this Agreement and this Agreement has been duly executed and delivered by it;
- (c) neither the execution and delivery of this Agreement nor the performance of any of its covenants and obligations hereunder will constitute a material default under, or be in any material contravention or breach of: (i) any provision of its constating or governing corporate documents, (ii) any judgment, decree, order, law, statute, rule or regulation applicable to it or (iii) any agreement or instrument to which it is a party or by which it is bound; and
- (d) no dissolution, winding up, bankruptcy, liquidation or similar proceedings has been commenced or is pending or proposed in respect of it.

## **ARTICLE 5**

### **CONDITIONS PRECEDENT**

#### **5.1 Mutual Conditions**

The obligations of the Parties to complete the transactions contemplated hereby are subject to fulfillment of the following conditions on or before the Effective Date or such other time as is specified below:

- a) the Arrangement Resolution shall have been passed by the Winston Shareholders at the Winston Meeting in accordance with the Arrangement provisions, the BCA, the constating documents of Winston, the Interim Order, if any, applicable securities regulations, and the requirements of any applicable regulatory authorities;
- b) the Final Order shall have been granted in form and substance satisfactory to each of Winston, Hadley and Zara, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to such Parties on appeal or otherwise;
- c) there shall be not be in force any order or decree restraining, enjoining or prohibiting the consummation of the transactions contemplated by this Agreement and the Arrangement, or that would result in a judgement or assessment of damages, directly or indirectly, relating to the transactions contemplated herein that is materially

adverse;

- d) all approvals shall have been obtained and all other consents, waivers, permits, orders and approvals of any Governmental Entity or other Person, and the expiry of any waiting periods, in connection with, or required to permit, the consummation of the Arrangement, the failure of which to obtain or the non expiry of which would be materially adverse to any Parry, or materially impede the completion of the Arrangement, shall have been obtained or received on terms reasonably satisfactory to each Party;
- e) this agreement shall not have been terminated under Section 62;
- f) the shares issuable under the Arrangement shall be eligible for issuance pursuant to a prospectus exemption and shall not be subject to resale restrictions in Canada other than in respect of restrictions applicable to sales of control block shares, seasoning periods and requirements of general application;

The foregoing conditions are for the mutual benefit of the Parties and may be waived, in whole or in part, by any of Winston, Hadley and Zara at any time without prejudice to such Parry's right to rely on any other of such conditions. If any of the said conditions precedent shall not be satisfied or waived as aforesaid on or before the date required for the performance thereof, any one of Winston, Hadley and Zara may rescind and terminate this Agreement by written notice to the other Parties and the rescinding Party shall have no other right or remedy.

## **5.2 Merger of Conditions**

The conditions set out in Section 5.1 shall be conclusively deemed to have been satisfied, waived or released upon the Effective Date and the depositing of an entered copy of the Final Order with Winston' records office.

# **ARTICLE 6**

## **GENERAL MATTERS**

### **6.1 Amendment**

This Agreement may, at any time and from time to time before or after the holding of the Winston Meeting, be amended by mutual written agreement of the Parties without, subject to applicable Laws, further notice or authorization on the part of their respective shareholders provided that no such amendment reduces or materially adversely affects the consideration to be received by a Winston Shareholder without approval by the Winston Shareholders, given in the same manner as required for the approval of the Arrangement Resolution or as may be ordered by the Court.

### **6.2 Termination**

This Agreement may be terminated in accordance with Section 5.1 or by mutual agreement of the Parties at any time prior to the Effective Date, in each case without further action on the part of the Winston Shareholders. This Agreement will terminate automatically if the Arrangement has not been effected by the Termination Date. The right of any Parry to terminate this Agreement shall be extinguished upon the occurrence of the Effective Date.

### **6.3 Expenses**

All costs and expenses of the transactions contemplated hereby, including legal fees, financial advisory fees, regulatory filing fees, all disbursements by advisors and printing and mailing costs shall be paid and borne by Winston.

### **6.4 Notices**

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party to the other Party shall be in writing and may be given by delivering same or sending same by facsimile transmission or by delivery addressed to the Party to which the notice is to be given at its address set out below or such other address as a Party may, from time to time, advise to the other Party by notice in writing made in accordance with this section. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a business day, if not, then on the next succeeding business day) and if sent by facsimile transmission be deemed to have been given and received at the time of receipt unless received after 4:00 p.m. at the point of delivery in which case it shall be deemed to have been given and received on the next business day as follows:

**if to Winston:**

Winston Resources Inc, 208 Queens Quay  
West, Suite 2506, Toronto, Ontario  
M5J2Y5

**if to Hadley:**

Hadley Mining Inc., 208 Queens Quay West,  
Suite 2506, Toronto, Ontario M5J 2Y5

**If to Zara:**

Zara Resources Inc: 208 Queens Quay West,  
Suite 2506, Toronto, Ontario M5J 2Y5

### **6.5 Third Party Beneficiaries**

The Parties intend that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person other than the Parties.

### **6.6 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. Each Party hereby attorns to the exclusive jurisdiction of the Courts of the Province of British Columbia, sitting in the City of Vancouver, in respect of all matters arising under or in relation to this Agreement.

**6.7 Waiver**

No waiver by any Party shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

**6.8 Enurement and Assignment**

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. This Agreement is personal to the Parties and may not be assigned by any Party without the prior written consent of the other Party. For greater certainty, a change of control shall be deemed to be an assignment in respect of which such prior written consent shall be required.

**6.9 Execution in Counterparts**

This Agreement may be executed in counterparts and delivered by electronic methods of communication, and each electronic signature shall be deemed to be an original and all counterparts collectively shall constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**WINSTON RESOURCES INC.**

Pen 

Authorized Signatory

**HADLEY MINING INC.**

Pen 

Authorized Signatory

**ZARA RESOURCES INC**

Pen 

Authorized Signatory

## SCHEDULE B

### PLAN OF ARRANGEMENT

#### ARTICLE 1

##### DEFINITIONS AND INTERPRETATION

###### 1.1 Definitions

In this Plan of Arrangement the following capitalized words and terms shall have the following meanings:

**"Arrangement"**, **"herein"**, **"hereof"**, **"hereto"**, **"hereunder"** and similar expressions mean and refer to the proposed arrangement involving Winston, Hadley and Zara and the Winston Shareholders pursuant to the Arrangement Provisions on the terms and conditions set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

**"Arrangement Agreement"** means the arrangement agreement among Winston, Hadley and Zara, dated the 22<sup>nd</sup> day of October 2012, and all amendments thereto;

**"Arrangement Provisions"** means Division 5 of Part 9 of the BCA;

**"Arrangement Resolution"** means the special resolution in respect to the Arrangement and other related matters to be considered at the Winston Meeting;

**"Assets"** means the assets of Winston described in Schedule "A" to the Arrangement Agreement;

**"BCA"** means the *Business Corporations Act*, (British Columbia), as amended or replaced from time to time;

**"Business Day"** means any day other than Saturday, Sunday and a statutory holiday in the Province of British Columbia;

**"Circular"** means the management information circular to be sent to the Winston Shareholders in connection with the Winston Meeting;

**"Court"** means the Supreme Court of British Columbia;

**"Effective Date"** means the Business Day following the date of the Final Order, the date that Arrangement shall become effective under the BCA;

**"Final Order"** means the final order of the Court approving the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Hadley"** means Hadley Mining Inc., a private company incorporated under the Ontario Business Corporations Act;

**"Hadley Distribution Shares"** means the Hadley Shares that are to be distributed to the Winston Shareholders pursuant to §2.4;



**"Hadley Shareholder"** means the sole holder of Hadley Shares, which shall remain Winston until the completion of the Plan of Arrangement;

**"Hadley Shares"** means the common shares without par value in the authorized share structure of Hadley;

**"Interim Order"** means an interim order of the Court concerning the Arrangement, containing declarations and directions with respect to the Arrangement and the holding of the Winston Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Parties"** means Winston, Hadley and Zara, and **"Party"** means any one of them;

**"Plan"** or **"Plan of Arrangement"** means this plan of arrangement as amended or supplemented from time to time in accordance with the terms hereof and the Arrangement Agreement;

**"Registrar"** means the Registrar of Companies for the Province of British Columbia duly appointed under the BCA;

**"Share Distribution Record Date"** means the Record Date for the Winston Meeting, which date establishes the Winston Shareholders who will be entitled to receive Hadley Shares and Zara Shares pursuant to this Plan of Arrangement;

**"Tax Act"** means the *Income Tax Act* (Canada), as amended;

**"Transfer Agent"** means Capital Transfer Agency Inc.;

**"Winston"** means Winston Resources Inc., a company incorporated under the BCA;

**"Winston Meeting"** means the special meeting of Winston Shareholders to be held to consider the Arrangement Resolution and related matters, and any adjournments thereof;

**"Winston Shareholder"** means a holder of Winston Shares;

**"Winston Shares"** means the common shares without par value in the authorized share structure of Winston;

**"Winston Shareholders"** means the holders of Winston Common Shares;

**"Zara"** means Zara Resources Inc., a private company incorporated under the Ontario Business Corporation Act;

**"Zara Distribution Shares"** means the Shares that are to be distributed to the Winston Shareholders pursuant to §2.4;

**"Zara Shareholder"** means the sole holder of Zara Shares, which shall remain Winston until the completion of the Plan of Arrangement;

**"Zara Shares"** means the common shares without par value in the authorized share structure of Zara;

## **12 Interpretation Not Affected by Headings**

The division of this Plan of Arrangement into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement.

## **13 Article References**

Unless the contrary intention appears, references in this Plan of Arrangement to an Article, Section, subsection, paragraph or Schedule by number or letter or both refer to the Article, Section, subsection, paragraph or Schedule, respectively, bearing that designation in this Plan of Arrangement

## **14 Number and Gender**

In this Plan of Arrangement, unless the contrary intention appears, words importing the singular include the plural and vice versa; words importing gender shall include all genders; and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any governmental agency, political subdivision or instrumentality thereof).

## **15 Capitalized Terms**

Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Arrangement Agreement.

## **1.6 Date for Any Action**

If any date on which any action is required to be taken hereunder by any of the Parties falls on a day that is not a Business Day, such action is required to be taken on the next succeeding day which is a Business Day.

## **1.7 Currency**

All references to currency in this Plan of Arrangement are to Canadian dollars.

## **ARTICLE 2**

### **ARRANGEMENT**

#### **2.1 Arrangement Agreement and Effective Date**

This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement as it may be amended and in accordance with the directions of the Court. The Arrangement as set forth in the Plan of Arrangement will become effective on the Effective Date in accordance with the terms thereof and hereof.

#### **2.2 Conditions Precedent**

The implementation of this Plan of Arrangement is expressly subject to the fulfillment and/or waiver by the Party or Parties entitled of the conditions precedent set out in the Arrangement Agreement.

### **2.3 Binding Nature**

The Arrangement shall become final and conclusively binding on the Winston Shareholders, the Hadley Shareholder, the Zara Shareholder, Winston, Hadley and Zara, on the Effective Date.

### **2.4 Arrangement Procedure**

On the Effective Date the following shall occur and be deemed to occur in the following chronological order without further act or formality, notwithstanding any other provisions hereof, but subject to the provisions of Article 3:

#### Hadley

- a) Winston shall transfer the specified Assets to Hadley and Hadley shall issue 25,000,000 Hadley Shares to Winston, of which 2,580,979 Hadley Shares (the "**Hadley Distribution Shares**") shall be immediately transferred to the Winston Shareholders as a dividend, as contemplated by §2.4 (b);
- b) Winston shall transfer the Hadley Distribution Shares to each Winston Shareholder on the basis of 1 Hadley Distribution Share for every 25 Winston Shares held as of the Share Distribution Record Date; and
- c) each holder of Hadley Distribution Shares shall be added to the central securities register of Hadley.

#### Zara

- d) Winston shall transfer the specified Assets to Zara and Zara shall issue 25,000,000 Zara Shares to Winston, of which 2,580,979 Zara Shares (the "**Hadley Distribution Shares**") shall immediately be transferred to the Winston Shareholders as a dividend, as contemplated by §2.4 (e);
- e) Winston shall transfer the Zara Distribution Shares to each Winston Shareholder on the basis of 1 Zara Distribution Share for every 25 Winston Shares held as of the Share Distribution Record Date; and
- f) each holder of Zara Distribution Shares shall be added to the central securities register of Zara.

### **2.5 Fractional Shares**

Notwithstanding §2.4(b) and (e), no fractional Hadley Shares or Zara Shares shall be distributed to the Winston Shareholders and as a result all fractional share amounts arising under such sections shall be rounded down to the nearest whole number. Any Hadley Distribution Shares or Zara Distribution Shares not distributed as a result of such rounding shall be dealt with as determined by the board of directors of Winston in its absolute discretion.

### **2.6 Valid Issuance of Shares**

All shares issued pursuant to this Plan of Arrangement shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the BCA.

### **2.7 Further Acts**

Notwithstanding that the transactions or events set out in this Article 2 occur and shall be

deemed to occur in the order herein set out without any further act or formality, each of Winston, Hadley and Zara agree to make, do and execute or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required by it in order to further document or evidence any of the transactions or events set out in this Article 2 including, without limitation, any resolutions of directors authorizing the issue, transfer or cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor and any necessary additions to or deletions from share registers.

## **2.8 Trades after the Share Distribution Record Date**

Winston Shares traded after the Share Distribution Record Date shall not carry any right to receive a portion of the Hadley Distribution Shares or the Zara Distribution Shares.

## **ARTICLE 3**

### **DISSENTING SHAREHOLDERS**

3.1 Notwithstanding Article 2 hereof, holders of Winston Shares may exercise rights of dissent (the "**Dissent Right**") in connection with the Arrangement pursuant to the Interim Order, if any, and in the manner set forth in sections 237 to 247 of the BCA (appended to the Information Circular for the Winston Meeting) (collectively, the "**Dissent Procedures**").

3.2 Winston Shareholders who duly exercise Dissent Rights with respect to their Winston Shares ("**Dissenting Shares**") and who:

- (a) are ultimately entitled to be paid fair value for their Dissenting Shares, shall be deemed to have transferred their Dissenting Shares to Winston for cancellation immediately before the Effective Date; or
- (b) for any reason are ultimately not entitled to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Winston Shareholder and shall receive Hadley Distribution Shares and Zara Distribution Shares on the same basis as every other non-dissenting Winston Shareholder.

3.3 If a Winston Shareholder exercises the Dissent Right, Winston shall on the Effective Date set aside and shall not distribute that portion of the Hadley Distribution Shares or Zara distribution Shares that is attributable to the Winston Shares for which the Dissent Right has been exercised. If the dissenting Winston Shareholder is ultimately not entitled to be paid for their Dissenting Shares, Winston shall distribute to such Winston Shareholder his, her or its pro rata portion of the Hadley Distribution Shares and the Zara Distribution Shares. If a Winston Shareholder duly complies with the Dissent Procedures and is ultimately entitled to be paid for their Dissenting Shares, then Winston shall retain the portion of the Distributed Hadley Shares and the Zara Distribution Shares attributable to such Winston Shareholder (the "**Non-Distributed Shares**"), and the Non-Distributed Shares shall become assets of Winston and shall be dealt with as determined by the board of directors of Winston in its absolute discretion.

**ARTICLE 4**  
**AMENDMENTS**

4.1 The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that each such amendment, modification and/or supplement must be:

- (a) set out in writing;
- (b) filed with the Court and, if made following the Winston Meeting, approved by the Court; and
- (c) communicated to holders of Winston Shares, Hadley Shares and Zara Shares, as the case may be, if and as required by the Court.

4.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Winston at any time prior to the Winston Meeting with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Winston Meeting (other than as may be required under the Interim Order, if any), shall become part of this Plan of Arrangement for all purposes.

4.3 Winston, with the consent of Hadley and Zara, may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Winston Meeting and prior to the Effective Date with the approval of the Court.

4.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date but shall only be effective if it is consented to by all of the Parties, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the Parties or any former Winston Shareholder, Hadley Shareholder or Zara Shareholder, as the case may be.

**ARTICLE 5**  
**REFERENCE DATE AND TERMINATION**

5.1 This Plan of Arrangement is dated for reference the date first written in the Arrangement Agreement.

5.2 At any time up until the time the Final Order is made, the Parties may mutually determine not to proceed with this Plan of Arrangement, or to terminate this Plan of Arrangement, notwithstanding any prior approvals given at the Winston Meeting. In addition to the foregoing, this Plan of Arrangement shall automatically, without notice, terminate immediately and be of no further force or effect, upon the termination of the Arrangement Agreement in accordance with its terms.

**SCHEDULE A**  
**ASSETS**

**To Zara Resources Inc**

All the rights, title and interest of Winston and its wholly owned subsidiary CNRP Mining Inc, to that certain option agreement between Green Swan and Melkior on the Riverbank and Broke Back Claims

The sum of \$100,000 cash

**To Hadley Mining Inc**

All the rights, title and interest of Winston, to that certain Airborne Survey of the Etamame Nickel Claims in Sachigo, Ontario

The repayment of that certain loan from Winston in the amount of \$50,000 and all the rights, title and interest of Winston, to that certain purchase agreement between 2212150 Ontario Inc operating as Vanex Exploration and Winston whereby Winston acquired a 1.5% NSR on the Etamame Nickel Claims in Sachigo, Ontario

The sum of \$100,000 cash

**SCHEDULE I**

**FINANCIAL STATEMENTS**

**Winston Resources Inc. (as at July 31, 2012)**

**Winston Resources Inc Management Discussion & Analysis (as at July 31, 2012)**

**Hadley Mining Inc. (as at July 31, 2012)**

**Zara Resources Inc. (as at October 19, 2012)**

**- attached hereto -**

parker simone LLP

**Winston Resources Inc.**

**Audited  
Consolidated Financial Statements**

**Period from  
September 15, 2011  
*(date of incorporation)*  
to July 31, 2012  
*(Expressed in Canadian Dollars)***



***Management's responsibility for financial reporting***

The accompanying consolidated financial statements of Winston Resources Inc. (the "Company" or "Winston") 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 consolidated 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 consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of July 31, 2012 and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated 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 consolidated 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 consolidated financial statements.

*"Daniel Wettreich"*  
Chairman and Chief Executive Officer  
November 1, 2012

*"Mark Wettreich"*  
Vice President and Secretary  
November 1, 2012

parker simone LLP

Chartered Accountants  
129 Lakeshore Road East  
Suite 201 Mississauga Ontario  
L5G 1E5  
T 905 271.7977  
F 905 271.7677

**Independent Auditors' Report**

To the Shareholders of  
Winston Resources Inc.

We have audited the accompanying consolidated financial statements of Winston Resources Inc. ("the Company"), which comprise the consolidated statement of financial position as at July 31, 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the period from September 15, 2011 (*date of incorporation*) to July 31, 2012, 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

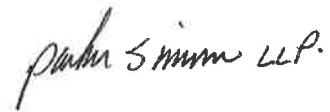
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winston Resources Inc. and its subsidiaries as at July 31, 2012, and their financial performance and cash flows for the period from September 15, 2011 (*date of incorporation*) to July 31, 2012 in accordance with International Financial Reporting Standards.

**Emphasis of Matters**

Without qualifying our opinion, the accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in the notes to these consolidated financial statements, the Company has not generated revenues to date. This condition raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

A handwritten signature in black ink that reads "Parker Simone LLP". The signature is written in a cursive, flowing style.

November 1, 2012

Licensed Public Accountants

**Winston Resources Inc.**  
**Consolidated Statement of Financial Position**

*(Expressed in Canadian Dollars)*

| <b>As at July 31,</b>   | <b>2012</b>  |
|---|--------------|
| <b>Assets</b>   |              |
| <b>Current Assets</b>   |              |
| Cash  | \$ 549,654   |
| HST recoverable   | 9,966        |
| Prepaid expenses  | 10,240       |
|   | 569,860      |
| <b>Exploration and Evaluation Assets</b> <i>(Note 7, 10 and 11)</i> | 8,337,645    |
|   | \$ 8,907,290 |
| <b>Liabilities</b>  |              |
| <b>Current Liabilities</b>  |              |
| Trade payables  | \$ 223,555   |
| Mineral properties purchase price payable <i>(Note 12)</i>          | 633,760      |
| Due to shareholder <i>(Note 9)</i>                                  | 62,641       |
|   | 919,956      |
| <b>Shareholders' Equity</b>   |              |
| <b>Share Capital and Reserves</b> <i>(Note 8)</i>                   | 9,176,237    |
| <b>Deficit</b>  | (1,188,903)  |
|   | 7,987,334    |
|   | \$ 8,907,290 |

Going concern *(Note 2)*

*The accompanying notes are an integral part of these consolidated financial statements*

Approved by the Board:

          "Daniel Wettreich"           Director

          "Mark Wettreich"           Director

**Winston Resources Inc.**

**Consolidated Statement of Comprehensive Loss**

*(Expressed in Canadian Dollars)*

| <b><i>Period from September 15, 2011 (date of incorporation) to July 31,</i></b> | <b>2012</b>         |
|--|---------------------|
| <b>Interest Revenue</b>  | <b>\$ 1,557</b>     |
| <b>Operating Expenses</b>  |                     |
| Listing fees <i>(Note 10)</i>  | 560,051             |
| Professional fees  | 477,635             |
| Office   | 67,214              |
| Consulting fees  | 54,000              |
| Regulatory fees  | 18,460              |
| Share based compensation   | 13,100              |
|  | <b>1,190,460</b>    |
| <b>Comprehensive Loss</b>  | <b>\$ 1,188,903</b> |
| Comprehensive loss per share – basic and fully diluted                           | <b>\$(0.07)</b>     |
| Weighted average number of shares outstanding                                    | <b>18,053,157</b>   |

*The accompanying notes are an integral part of these consolidated financial statements*

Winston Resources Inc.

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

|  | Common Share Capital |                    |  | Reserves         |                   |                     | Share Capital and Reserves |                       |  | Deficit             | Total       |
|--|----------------------|--------------------|--|------------------|-------------------|---------------------|----------------------------|-----------------------|--|---------------------|-------------|
|  | No.                  | Amount             |  | Options          | Warrants          |                     | Share Capital and Reserves |                       |  |                     |             |
| Issued for cash:                           |                      |                    |  |                  |                   |                     |                            |                       |  |                     |             |
| On incorporation, being September 15, 2011 | 11,972,484           | \$ 50              |  |                  |                   | \$ 50               |                            | \$                    |  | \$                  | 50          |
| Private placements                         | 1,750,000            | 350,000            |  |                  |                   | 350,000             |                            |                       |  |                     | 350,000     |
| Issued for Non-Cash Consideration:         |                      |                    |  |                  |                   |                     |                            |                       |  |                     |             |
| Exploration and evaluation assets          | 29,200,000           | 7,300,000          |  |                  |                   | 7,300,000           |                            |                       |  |                     | 7,300,000   |
| Share-based compensation (Note 8)          | 1,282,000            | 273,700            |  |                  |                   | 273,700             |                            |                       |  |                     | 273,700     |
| Reverse acquisition (Note 10)              | 20,320,000           | 1,248,887          |  |                  |                   | 1,248,887           |                            |                       |  |                     | 1,248,887   |
| Costs of issuances                         |                      | (171,600)          |  |                  |                   | (171,600)           |                            |                       |  |                     | (171,600)   |
| Fair value of warrants issued              |                      |                    |  |                  | \$ 162,100        | 162,100             |                            |                       |  |                     | 162,100     |
| Fair value of options issued               |                      |                    |  | \$ 13,100        |                   | 13,100              |                            |                       |  |                     | 13,100      |
| Comprehensive loss                         |                      |                    |  |                  |                   |                     |                            | \$ (1,188,903)        |  |                     | (1,188,903) |
| <b>Balance at July 31, 2012</b>            | <b>64,524,484</b>    | <b>\$9,001,037</b> |  | <b>\$ 13,100</b> | <b>\$ 162,100</b> | <b>\$ 9,176,237</b> |                            | <b>\$ (1,188,903)</b> |  | <b>\$ 7,987,334</b> |             |

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

**Winston Resources Inc.**  
**Consolidated Statement of Cash Flows**  
*(Expressed in Canadian Dollars)*

| <b><i>Period from September 15, 2011 (date of incorporation) to July 31,</i></b> | <b>2012</b>       |
|--|-------------------|
| <b>Operating Activities</b>  |                   |
| Comprehensive loss   | \$ (1,188,903)    |
| Adjustment to reconcile comprehensive loss to cash flows from operations:        |                   |
| Listing fees   | 560,051           |
| Share based compensation   | 13,100            |
| Net change in non-cash working capital items:                                    |                   |
| Prepaid expenses   | (9,240)           |
| Trade payables   | 214,259           |
| HST recoverable  | (3,895)           |
| <b>Cash Used in Operating Activities</b>   | <b>(414,628)</b>  |
| <b>Financing Activities</b>  |                   |
| Issuance of common shares net of issue costs                                     | 1,051,550         |
| <b>Cash From Financing Activities</b>  | <b>1,051,550</b>  |
| <b>Investing Activities</b>  |                   |
| Cash acquired on reverse acquisition of Winston                                  | 91                |
| Exploration property additions   | (150,000)         |
| Due to related party   | 62,641            |
| <b>Cash Used in Investing Activities</b>   | <b>(87,268)</b>   |
| <b>Increase in Cash, being Cash at End of Period</b>                             | <b>\$ 549,654</b> |

*The accompanying notes are an integral part of these consolidated financial statements*

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011** *(date of incorporation)* **to July 31, 2012**  
*(Expressed in Canadian Dollars)*

**1. Governing Statutes and Nature of Operations**

***Corporate***

Winston Resources Inc. ("Winston", or the "Company") is a development stage mineral exploration company engaged in the acquisition and exploration of mineral resource properties in Canada. The Corporation is a reporting issuer in the jurisdictions of British Columbia, Alberta and Ontario whose common shares are listed for trading on the Canadian National Stock Exchange ("CNSX") under the symbol "WRW". The head office of the Company is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario M5J 2Y5.

**2. Going Concern Assumption**

These consolidated 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. Accordingly, these consolidated financial statements do not give effect to adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. If the going concern assumption is not used, then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these consolidated financial statements.

The Company is in the process of exploring its mineral property and has not yet determined whether the property contains reserves that are economically recoverable. The recoverability of the amounts shown as exploration and evaluation assets is dependent upon future profitable production or proceeds from the disposal of properties.

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.

As at July 31, 2012, the Company had yet to generate revenues and had a deficit of \$1,188,903. Winston has no proven history of profitability, which casts considerable doubt as to whether the Company will be able to continue as a going concern over the next twelve months should it not be able to obtain the necessary financing to fund working capital and capital expenditures.

The Company has raised funds throughout the current period and has utilized these funds for working capital and capital expenditure requirements. The ability of Winston 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. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Winston may change and 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.



**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011 (date of incorporation) to July 31, 2012**  
**(Expressed in Canadian Dollars)**

**3. Basis of Presentation and Statement of Compliance**

***Statement of Compliance***

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of November 1, 2012, being the date the board of director approved these consolidated financial statements.

***Basis of Measurement***

The financial statements have been prepared on the historical cost basis, except for the measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

***Functional and Presentation Currency***

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

**4. Significant Accounting Policies**

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

***Principles of consolidation***

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CNRP Mining Inc., CNRP Dallas Inc. and Hadley Mining Inc. On consolidation, all intercompany transactions and balances were eliminated.

On June 22, 2012, Winston completed a reverse acquisition of CNRP Mining Inc ("CNRP"), which is now a wholly owned subsidiary of the Company. For accounting purposes, CNRP is considered to have acquired Winston as immediately following the acquisition CNRP's shareholders owned a majority of Winston's common shares. As such these financial statements represent CNRP's operations and cash flows from its date of incorporation to July 31, 2012, which have been consolidated with those of Winston's from June 22, 2012 to July 31, 2012.

***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.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011 (date of incorporation) to July 31, 2012**  
**(Expressed in Canadian Dollars)**

**4. Significant Accounting Policies (Continued)**

The most significant estimates relate to the valuation of deferred income taxes, impairment testing of exploration and evaluation assets, and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities and 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.

***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.

***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 taxes 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 end of each reporting period. These taxes represent the differences 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.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011 (date of incorporation) to July 31, 2012**  
**(Expressed in Canadian Dollars)**

**4. Significant Accounting Policies (Continued)**

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 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 in 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.

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.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
Period from September 15, 2011 *(date of incorporation)* to July 31, 2012  
*(Expressed in Canadian Dollars)*

**4. Significant Accounting Policies (Continued)**

***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.

***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 reductions 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.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
Period from September 15, 2011 *(date of incorporation)* to July 31, 2012  
*(Expressed in Canadian Dollars)*

**4. Significant Accounting Policies (Continued)**

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.

**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 group 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.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
Period from September 15, 2011 *(date of incorporation)* to July 31, 2012  
*(Expressed in Canadian Dollars)*

**4. Significant Accounting Policies (Continued)**

Objective evidence that financial assets 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 borrower, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data. 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 occurred 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.

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.

***Loss Per Share and Comprehensive Loss Per Share***

Comprehensive loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss and comprehensive net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same. For the period ended July 31, 2012, all the outstanding options and warrants were anti-dilutive.

***Foreign Currency Transactions***

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each entity is the Canadian dollar.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011** *(date of incorporation)* **to July 31, 2012**  
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**4. Significant Accounting Policies** (Continued)

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in operations.

***Future Accounting Policies***

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2013. For the purpose of preparing and presenting the financial statements for the relevant periods, the Company has consistently adopted all new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB issued the following Standards that are effective for reporting periods ending after the date of these financial statements and which the Company may be required to adopt in future reporting periods.

- IFRS 9 *Financial Instruments: Classification and Measurement* - effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 *Consolidated Financial Statements* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 *Joint Arrangements* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 *Disclosure of Interests in Other Entities* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 *Fair Value Measurement* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**4. Significant Accounting Policies (Continued)**

***Future Accounting Policies*** (Continued)

IFRS 13 *Fair Value Measurement* was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. The main features of the new standard include the fact that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement).

When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis. A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

The Company has not early adopted these standards, amendments and interpretations, however it is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

**5. Financial Instruments and Risk Management**

The Company has designated its cash at fair value through profit and loss. Trade and other payables and advances from related party are designated as other financial liabilities, which are measured at amortized cost.

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

|                                    | <b>Period Ended<br/>July 31, 2012</b> |
|------------------------------------|---------------------------------------|
| <b>Financial Assets</b>            |                                       |
| Fair value through profit and loss |                                       |
| Cash                               | \$ 549,654                            |
| <b>Financial Liabilities</b>       |                                       |
| Other financial liabilities        |                                       |
| Trade and other payables           | 253,555                               |
| Advances from related party        | 62,641                                |

Cash is classified as a level 1 under the fair value hierarchy.



**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
Period from September 15, 2011 *(date of incorporation)* to July 31, 2012  
*(Expressed in Canadian Dollars)*

5. **Financial Risk Management** (Continued)

***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 rate risk.

***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. As at July 31, 2012, the Company had, at its disposal, \$549,654 in cash. The Company anticipates having sufficient funds to carry out an exploration and acquisition program, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

***Foreign currency risk***

The Company is exposed to currency risks on its United States dollar denominated working capital balances due to changes in the US dollar/Canadian dollar exchange rate.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

**6. Capital Management**

The Company's objective in managing capital is to ensure continuity as a going-concern and to safeguard its ability to continue its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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 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.

**7. Exploration and Evaluation Assets**

|                             | Balance at<br>September<br>15, 2011 | Property<br>Acquisition<br>Costs | Exploration<br>Expenditures | Disposals | Balance at<br>July 31,<br>2012 |
|-----------------------------|-------------------------------------|----------------------------------|-----------------------------|-----------|--------------------------------|
| Ontario                     |                                     |                                  |                             |           |                                |
| Riverbank<br>and Broke Back | \$ -                                | \$ 300,000                       | \$ -                        | \$ -      | \$ 300,000                     |
| Etamame                     | -                                   | 333,700                          | -                           | -         | 333,700                        |
| New Brunswick               |                                     |                                  |                             |           |                                |
| Elmtree                     | -                                   | 7,703,945                        | -                           | -         | 7,703,945                      |
|                             | \$ -                                | \$8,337,645                      | \$ -                        | \$ -      | \$ 8,337,645                   |

***Riverbank and Broke Back***

The properties are located in Sachigo sub-province, Ontario. The Broke Back property consists of 18 unpatented mining claims covering an area of approximately 4096 ha and the Riverbank property consists of 8 unpatented mining claims covering approximately 1392 ha. The Company acquired from Green Swan Capital Corp an option on the properties with Melkior Resources Inc whereby it can obtain up to a 70% ownership interest in the properties. The Company can obtain an initial 51% undivided interest in the Properties by incurring a minimum of \$1,600,000 in work expenditures by no later than December 31, 2014. Following that, Melkior has the right to elect to form a joint venture with the Company. Should Melkior not elect to form a joint venture on the Properties, the Company will have the option to acquire an additional 19% interest (for a total 70% undivided interest in the Properties)

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
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**7. Exploration and Evaluation Assets (Continued)**

by incurring an additional \$1,000,000 in work expenditures on the Properties within twenty-four months.

As consideration, Green Swan received 1,200,000 common shares in the Company, at a deemed price of \$0.25 per share, and 400,000 common share purchase warrants having a 24 month term and an exercise price of \$0.50 per warrant.

Green Swan is obligated to complete work expenditures ("Work") on the Properties of not less than \$235,000 prior to December 14, 2012, failing which the 1,200,000 shares will be cancelled. If Green Swan does complete the Work prior to December 14, 2012, then Green Swan shall be issued additional common shares, in an amount equal to (the dollar amount of Work divided by 110% of the Market Price for the Company's common shares on December 14, 2012), provided that the denominator as so calculated may not be less than 32 cents. Under this formula, Green Swan will be issued a maximum further 734,000 common shares.

***Etamame***

Etamame consists of 10 claim blocks totaling 142 claim units that have not previously been drilled. The Company acquired 100% of Hadley Mining Inc in July 2012, which owns 100% of the Etamame Lake Nickel Project located in the Lingman Lake Greenstone belt area about 38 kilometres southwest of Sachigo Lake in Northwestern Ontario. It also acquired a geophysical airborne survey (the "Airborne Survey") carried out over Etamame. The consideration for Hadley was the issuance of 650,000 common shares at a fair value of \$0.21 per share for total consideration of \$135,600, and a royalty ("NSR") to the Vendors equal to 2% of net smelter returns from the sale of mineral products from Etamame. Further, Winston acquired from 2212150 Ontario Inc operating as Vanex Exploration, a 1.5% NSR in consideration for the issuance of 200,000 shares at a fair value of \$42,000 or \$0.21 per share and 100,000 warrants to acquire 100,000 common shares at a price of \$0.25 exercisable for a period of 24 months commencing from June 27, 2012. Utilizing the Black-Scholes model these warrants are valued at \$9,000.

Winston also acquired the Airborne Survey from Largo Resources Ltd. ("Largo"), in consideration for which it issued 320,000 common shares at a deemed price of \$0.25 per share, and paid \$50,000 in cash to Largo. A further payment of \$30,000 is also payable by Winston to Largo on the six month anniversary of closing.

***Elmtree***

The Elmtree Gold Project consists of 83 claims that cover a contiguous area of approximately 1,811 hectares and hosts at least 3 gold bearing zones, being the higher grade West Gabbro Zone, the original Discovery Zone and the larger tonnage, lower grade South Gold Zone. The Company entered into two transactions to acquire a total of 100% of the Elmtree Gold Project, 60% from Castle Resources Inc ("Castle") and 40% from Stratabound Minerals Corp ("Stratabound"). Both transactions closed on June 22, 2012.

**Winston Resources Inc.**  
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**(Expressed in Canadian Dollars)**

**7. Exploration and Evaluation Assets (Continued)**

The Company agreed to pay Castle 18,000,000 common shares at a deemed price of \$0.25 per common share, \$500,000 in cash, \$250,000 of which is payable on the date which is 6 months from completion and the balance of \$250,000 payable on the date which is 12 months from completion. The company also agreed to grant a 3% Net Smelter Royalty in favour of Castle from 60% of the gross revenue received from the sale of minerals from Elmtree less transportation and refining costs.

The Company agreed to pay Stratabound 10,000,000 common shares at a deemed price of \$0.25 per common share, \$300,000 in cash, \$100,000 of which was payable on the date of closing, \$100,000 of which is payable 6 months from closing, and \$100,000 of which is payable on the date which is 12 months from closing

**8. Share Capital**

Winston's authorized share capital consists of an unlimited number of common shares without par value.

|  | Number of shares  | Amount             |
|--|-------------------|--------------------|
| <b>Common shares issued for cash</b>                         |                   |                    |
| Upon incorporation   | 11,972,484        | \$ 50              |
| Private placement July 2012                                  | 1,250,000         | 250,000            |
| Private placement July 2012                                  | 500,000           | 100,000            |
| <b>Common shares issued for non-cash</b>                     |                   |                    |
| Exploration and evaluation assets                            | 29,200,000        | 7,300,000          |
| Reverse acquisition (Note 10)                                | 20,320,000        | 1,248,887          |
| Extinguishment of debt                                       | 112,000           | 28,000             |
| Acquisition of Hadley (Note 11)                              | 650,000           | 136,500            |
| Purchase of Airborne Survey                                  | 320,000           | 67,200             |
| Consideration for Amending and Royalty Termination Agreement | 200,000           | 42,000             |
| <b>Costs of issuance</b>                                     |                   |                    |
| Broker commission paid in cash                               |                   | (8,500)            |
| Fair value of warrants issued                                |                   | (143,100)          |
| Fair value of broker's shares issued                         |                   | (20,000)           |
| <b>Balance July 31, 2012</b>                                 | <b>64,524,484</b> | <b>\$9,001,037</b> |

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011 (date of incorporation) to July 31, 2012**  
**(Expressed in Canadian Dollars)**

**8. Share Capital (Continued)**

***Private Placements***

On June 22, 2012, the Company completed a private placement with Euro Pacific through the issuance of 640,000 shares at \$0.25 per share for gross proceeds of \$160,000. In connection with the private placement, 34,000 broker compensation shares with a value of \$nil were issued and cash commissions totaling \$8,500 were paid, both charged against capital stock as a share issuance cost.

On July 16, 2012, the Company completed a private placement through the issuance of 1,250,000 shares at \$0.20 per share for gross proceeds of \$250,000. In addition, 1,250,000 warrants were issued at a fair value of \$111,000.

On July 25, 2012, the Company completed a private placement through the issuance of 500,000 shares at \$0.20 per share for gross proceeds of \$100,000. In addition, 500,000 warrants were issued at a fair value of \$32,000.

***Warrants***

The issued and outstanding warrants balance at July 31, 2012 is comprised as follows:

| <b>Date of Expiry</b> | <b>Description</b>  | <b>Fair Value</b> | <b>Number of Warrants</b> | <b>Exercise Price</b> |
|-----------------------|---------------------|-------------------|---------------------------|-----------------------|
| June 22, 2014         | Broker Warrants     | \$ 100            | 434,000                   | \$ 0.25               |
| June 27, 2014         | Purchase Warrants   | 9,000             | 100,000                   | 0.25                  |
| July 16, 2014         | Subscriber Warrants | 111,000           | 1,250,000                 | 0.30                  |
| July 20, 2014         | Purchase Warrants   | 10,000            | 2,000,000                 | 0.30                  |
| July 25, 2014         | Subscriber Warrants | 32,000            | 500,000                   | 0.30                  |
|                       |                     | <b>\$162,100</b>  | <b>4,284,000</b>          |                       |

***Stock Options***

The Company has a stock option plan in place 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. At July 31, 2012, the Company had 6,452,448 options available for issuance.

The following table summarizes the activity in the Plan over the period.

|  | <b>Number of Options</b> | <b>Weighted Average Exercise Price</b> |
|--|--------------------------|--|
| <b>Outstanding, September 15, 2011</b> |                          |  |
| Granted                                | 4,200,000                | \$ 0.25                                |
| Cancelled                              | -                        | -                                      |
| <b>Outstanding, July 31, 2012</b>      | <b>4,200,000</b>         | <b>0.25</b>                            |

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011 (date of incorporation) to July 31, 2012**  
**(Expressed in Canadian Dollars)**

|                                   |                  |             |
|-----------------------------------|------------------|-------------|
| <b>Exercisable, July 31, 2012</b> | <b>4,200,000</b> | <b>0.25</b> |
|-----------------------------------|------------------|-------------|

**8. Share Capital (Continued)**

The following table sets out the details of the stock options granted and outstanding as at July 31, 2012:

| Number of stock options | Remaining contractual life | Exercise price per share | Expiry Date   |
|-------------------------|----------------------------|--------------------------|---------------|
| 3,600,000               | 4.90 years                 | \$ 0.25                  | June 22, 2017 |
| 600,000                 | 0.82 years                 | 0.25                     | June 22, 2013 |
| <b>4,200,000</b>        | <b>4.32 years</b>          | <b>0.25</b>              |               |

**Share-based compensation**

The fair value of the stock options granted and fully vested for the period ended July 31, 2012 was \$13,100 which has been expensed as share-based compensation in the statement of operations.

**9. Related Party Transactions and Remuneration**

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

During the period following the reverse acquisition transaction, the Company incurred management fees of \$44,000 to certain officers and directors of the Company. As at July 31, 2012, \$22,000 net of some personal expenditures paid for by the Company are owing to Sammiri Capital Inc. for the services provided.

The amount due to a related party relates to start-up funding received from a company controlled by a shareholder. This unsecured loan is a non-interest bearing loan with no fixed terms of repayment. Management intends to pay back the entire amount.

**10. Reverse Acquisition of Winston Resources Inc.**

On April 30, 2012, CNRP and Winston entered into a Share Exchange Agreement ("Agreement") under which CNRP's shareholders exchanged their shares for Winston shares on a 1:1 basis. On June 22, 2012, the transaction closed, resulting in Winston acquiring CNRP. For accounting purposes, CNRP is considered to have acquired Winston as immediately following the acquisition CNRP's shareholders owned a majority of Winston's common shares. As such, this transaction is accounted for as a reverse acquisition.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011 (date of incorporation) to July 31, 2012**  
**(Expressed in Canadian Dollars)**

**10. Reverse Acquisition of Winston Resources Inc. (Continued)**

A summary of Winston's net assets acquired by CNRP and the consideration paid is as follows:

|  |                   |
|--|-------------------|
| Cash   | \$ 92             |
| Other current assets   | 7,071             |
|  | 7,163             |
| Trade liabilities assumed  | (27,297)          |
| Deficiency in assets acquired  | (20,134)          |
| Fair value of consideration paid                                       | 539,917           |
| <b>Excess of consideration paid over deficiency in assets acquired</b> | <b>\$ 560,051</b> |

The excess of consideration paid over deficiency in assets acquired was charged to the statement of comprehensive loss as a listing fee expense.

**11. Acquisition of Hadley Mining Inc.**

On June 28, 2012, Winston acquired 100% of the outstanding common shares of Hadley Mining Inc. ("Hadley") in exchange for 650,000 common shares of Winston with a fair value of \$136,500. Hadley is a mineral exploration company with its principal asset being the Etamame property (see Note 7). A summary of the net assets acquired and consideration paid is as follows:

|  |                  |
|--|------------------|
| Working capital  | \$ -             |
| Exploration and evaluation asset                             | 121,910          |
|  | 121,910          |
| Liabilities assumed  | -                |
| Net assets acquired  | 121,910          |
| Fair value of consideration paid                             | 136,500          |
| <b>Excess of consideration paid over net assets acquired</b> | <b>\$ 14,590</b> |

The excess of consideration paid over net assets acquired was allocated to the exploration and evaluation asset.

**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011 (date of incorporation) to July 31, 2012**  
**(Expressed in Canadian Dollars)**

**12. Mineral Properties Purchase Price Payable**

During the year, Winston entered into agreements to acquire a mineral exploration property and the rights to the data from airborne geological surveys conducted on its property acquired through its acquisition of Hadley (see Note 7). Under the terms of these agreements, Winston is required to pay a portion of the purchase price over a period twelve months from the dates of acquisition. The terms of payment are as follows:

|   |            |
|---|------------|
| Face value or purchase price payable      | \$ 730,000 |
| Less: Imputed interest at 22.0% per annum | 96,240     |
| Fair value of purchase price payable      | \$ 633,760 |

**13. Subsequent Events**

***Plan of Arrangements***

On October 12, 2012, Hadley entered into a Plan of Arrangement (the "Plan") to acquire certain assets from Winston, its parent company. The assets to be transferred under the Plan include \$100,000 cash, which was received by Hadley in October 2012, plus the rights to data compiled from airborne geological surveys conducted on Hadley's exploration and evaluation asset that was acquired by Winston from a third party, as well as the 100% of the royalty right (1.5% Net Smelter Royalty) as described in note 7, which Winston also acquired. Under the terms of the Plan, Hadley is to issue 25.0 million common shares to Winston in exchange for these assets. Of the Hadley shares issued, 2,580,979 shares will be immediately transferred to Winston's shareholders as a dividend. Upon completion of the Plan, Hadley will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. Completion of the Plan is subject to regulatory and shareholder approvals.

On October 12, 2012, Zara Resources Inc. ("Zara"), which was incorporated in October 2012 as a wholly owned subsidiary of Winston, entered into a Plan of Arrangement (the "Plan") to acquire certain assets from Winston. Under the terms of the Plan, Zara is to issue 25.0 million common shares to Winston in exchange for \$100,000 cash plus the Riverbank and Broke Back property described in note 7 above. Of the Zara shares issued, 2,580,979 shares will be immediately transferred to Winston's shareholders as a dividend. Upon completion of the Plan, Zara will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. Completion of the Plan is subject to regulatory and shareholder approvals.

The terms of the Plan requires that all costs and expenses of the transactions contemplated under the Plan, including legal, financial advisory, regulatory, printing and mailing costs, are to be paid and borne by Winston. As such, Hadley and Zara have no operations to report in Winston's interim statement of comprehensive loss. Completion of the Plan is subject to both regulatory and shareholder approval.



**Winston Resources Inc.**  
**Notes to Consolidated Financial Statements**  
**Period from September 15, 2011** *(date of incorporation)* **to July 31, 2012**  
*(Expressed in Canadian Dollars)*

**13. Subsequent Events** (Continued)

***Legal claim***

On July 20, 2012, the Company entered into an agreement with Jacob Securities Inc. ("Jacob") whereby Jacob purported to provide advisory services to the Company, but failed to provide such services. Accordingly, the Company terminated the agreement for non-performance on August 28, 2012. The Company received a Statement of Claim on October 24, 2012 from Jacob for breach of contract in the amount of \$120,000. The Company denies the claim and will defend itself vigorously.

***Stock options***

On September 14, 2012, the Company authorized the issuance of 1.0 million stock options to a director of the Company, exercisable into one common share of the Company at a price of \$0.10 per option expiring in 2 years from issuance.

# **WINSTON RESOURCES INC**

## **MANAGEMENT DISCUSSION & ANALYSIS**

**FOR THE PERIOD FROM SEPTEMBER 15, 2011 (DATE INCORPORATION)**

**TO THE SHORT PERIOD FINANCIAL YEAR ENDED JULY 31, 2012**

**(Prepared by Management on November 1, 2012)**

208 Queens Quay West, Suite 2506,  
Toronto, Ontario M5J 2Y5  
Tel.: (416) 628 9879

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF NOVEMBER 1, 2012 TO ACCOMPANY THE AUDITED COMBINED FINANCIAL STATEMENTS OF WINSTON RESOURCES INC (THE "COMPANY" OR "WINSTON") FOR THE PERIOD ENDED JULY 31, 2012.

The following Management's Discussion and Analysis should be read in conjunction with the audited combined financial statements of the Company for the period from September 15, 2011 (date of incorporation) to July 31, 2012, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and the notes thereto. On June 22, 2012, the Company completed a reverse acquisition of CNRP Mining Inc ("CNRP") which is now a wholly owned subsidiary of the Company. For accounting purposes, CNRP is considered to have acquired Winston, as immediately following the acquisition the shareholders of CNRP owned a majority of Winston's common shares. As such the financial statements represent the operations of CNRP and cash flows from its date of incorporation to July 31, 2012, which have been consolidated with those of Winston's from June 22, 2012 to July 31, 2012. All financial amounts are stated in Canadian currency unless stated otherwise.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of the Company. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. (See "Risks and Uncertainties" in this MD&A for more information).

## DESCRIPTION OF THE BUSINESS

### Overview

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Winston is a Toronto based mineral company primarily focused on developing its 100% owned Elmtree Gold Project in New Brunswick, Canada, as well as the acquisition and development of other Canadian natural resource properties from joint ventures.

Management has proposed to spinoff to its shareholders a portion of its holdings of its wholly-owned subsidiaries, Hadley Mining Inc ("Hadley") and Zara Resources Inc ("Zara"). It is expected that following the spin-off, Winston would retain approximately 90% of the issued and outstanding shares of Hadley and Zara. Hadley and Zara will apply for listing of their common shares on the CNSX.

Hadley owns 100% of the Etamame Lake Nickel Project located in the Lingman Lake Greenstone belt area about 38 kilometres south-west of Sachigo Lake in Northwestern Ontario, Canada. This is a highly prospective potential nickel deposit, and a geophysical airborne survey has identified numerous prospective targets associated with strong magnetic anomalies. The NI43-101 Technical Report on the property is available on Winston's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Zara owns an option with Melkior Resources on two properties in the Ring of Fire in Ontario whereby Zara can obtain up to a 70% ownership position in a highly prospective Nickel-Copper-PGE mineralization project. The Broke Back and Riverbank properties are adjacent to Noront Resources Ltd.'s Eagle One and Eagle Two nickel-copper projects and to Cliffs Natural Resources Inc.'s Black Thor deposit. The NI43-101 Technical Report on the property is available on Winston's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The spin-off will be transacted by way of a statutory plan of arrangement (the "Plan of Arrangement") under the Business Corporations Act (British Columbia). Pursuant to the terms of the Plan of Arrangement, Winston will distribute approximately 10% of the outstanding common shares of each of Hadley and Zara to holders of common shares of Winston such that each Winston shareholder of record on the effective date of the Plan of Arrangement will receive one common share in the capital of each of Hadley and Zara for every twenty-five common shares in the capital of Winston. A special meeting ("Meeting") of Winston shareholders will be held on December 5, 2012 at which the

shareholders will be asked to vote on a special resolution approving the Plan of Arrangement. The spin-off is subject to numerous conditions including shareholder and court approval, approval by, and listing of the common shares of Hadley and Zara on the CNSX and completion of all regulatory filings.

Management's goal is to seek additional opportunities to continue to add value for shareholders.

## **HIGHLIGHTS FOR WINSTON RESOURCES**

- Completed the Reverse Takeover of Gorilla and listed on the CNSX on June 25, 2012
- Completed the acquisition of 100% of the Elmtree Gold Project on June 22, 2012
- Raised approximately \$ 1,035,000 through equity financings in June and July, 2012.
- Acquired 100% interest in the Etamame Nickel Project in July 2012
- Expected to spin off Hadley Mining Inc and Zara Resources Inc in December 2012

### **Reverse Takeover of Gorilla, Change of Name to Winston, and listing on the CNSX**

On April 10, 2012, the Company announced that it had entered into material agreements as a result of which the Company, among other things, agreed to complete a reverse takeover transaction with CNRP Mining Inc, acquire new mining assets, replace the directors and management of the Company, and change the name of the Company from Gorilla Resources Corp to Winston Resources Inc. Full details of these transactions are given in the Management Information Circular ("the Circular") dated May 25, 2012 available in the Company profile on SEDAR at [www.sedar.com](http://www.sedar.com). All the transactions described in the Circular closed and became effective on June 22, 2012. The Company commenced trading on the CNSX on June 25, 2012 with a symbol WRW. The new Company website is at [www.WinstonResourcesInc.com](http://www.WinstonResourcesInc.com).

The following is a summary of information relating to the reverse takeover of the Company by CNRP Mining Inc., and the related transactions. It should be read together with the more detailed information and financial data and statements in related filings on SEDAR.

On May 1, 2012, the Company announced that it had signed a definitive agreement to conclude a reverse takeover transaction with CNRP Mining Inc, ("CNRP") a private British Columbia company controlled by Danny Wettreich. Prior to closing, the Company agreed to spin off to its shareholders by way of a statutory arrangement under the Business Companies Act (British Columbia) two subsidiary companies comprising all its interest in the Wels mining exploration properties in the Yukon. On June 22, 2012 the Company completed the reverse takeover transaction .

All the previous directors were replaced by Danny Wettreich, Chairman and CEO, and Brian Crawford, Mark Wettreich and Scott White. The board appointed James Lavigne M.Sc, P.Geo., who has over 20 years experience in all phases of mineral exploration and development, as Vice President of Exploration.

Following the acquisition of CNRP, Winston now owns 100% of the advanced Elmtree Gold Project in New Brunswick, Canada ("Elmtree"). The Elmtree Property is located in the Bathurst Mining Camp approximately 25 km northwest of Bathurst, New Brunswick and comprises a total of 83 claims that cover a contiguous area of approximately 1,811 hectares. Elmtree has an indicated resource of 99,000 ounces of gold and an inferred resource of 195,000 ounces of gold. More information on Elmtree is given below. According to the February 2012 Mining Policy Potential Index by the independent research group Fraser Institute, New Brunswick is the most attractive mining jurisdiction in the world, with excellent local milling and processing infrastructure, including power, roads and a skilled work force. Winston intends to explore and expand the known Elmtree resource.

Winston also acquired an option on the Broke Back and Riverbank properties in the Ring of Fire in Ontario whereby Winston can obtain up to a 70% ownership position in a highly prospective Nickel-Copper-PGE mineralization project. More information on these properties is given below.

All the CNRP shares were exchanged for Winston shares on a one-for-one basis at a deemed price of \$0.25 per share. Prior to the reverse takeover transaction, CNRP completed a private placement with Danny Wettreich to raise \$500,000. Concurrently with the reverse takeover transaction it also completed a brokered private placement of 640,000 CNRP Shares at \$0.25 per share conducted by Euro Pacific Canada Ltd. ("Euro Pacific") to raise \$160,000. A cash commission of \$8,500 was paid by CNRP to Euro Pacific and share purchase warrants to purchase up to 34,000 CNRP Shares at \$0.25 per share were issued to Euro Pacific. A corporate finance fee payable in 80,000 CNRP Shares was also issued to Euro Pacific. (The warrants of CNRP issued to Euro Pacific were exchanged into share purchase warrants, under the same terms as the original warrants, to purchase up to 34,000 Winston Shares, and the 80,000 CNRP shares issued as a corporate finance fee were also exchanged into 80,000 Winston Shares, on a one-for-one basis). The CNRP Shares issued pursuant to the private placement, together with the 1,200,000 CNRP Shares issued to Green Swan Capital Corp. ("Green Swan"), (optionor of the Broke Back and Riverbank property), the 18,000,000 CNRP Shares issued to Castle Resources Inc. ("Castle") and the 10,000,000 CNRP Shares issued to Stratabound Minerals Corp. ("Stratabound") (vendors of the Elmtree property), as well as the 19,600,000 CNRP Shares held by seed shareholders of CNRP, were exchanged into 49,520,000 Winston Shares. Castle and Stratabound agreed to dividend their Winston Shares to their respective shareholders. Stratabound completed its dividend at the end of July 2012.

Share purchase warrants to purchase up to 400,000 CNRP Shares at \$0.50 per share issued pursuant to an option agreement with Green Swan were also exchanged into share purchase warrants to purchase up to 400,000 Winston Shares on a one-for-one basis under the same terms as the original warrants. Incentive stock options granted to a director, an officer and a consultant of CNRP to purchase up to 4,200,000 CNRP Shares were additionally exchanged into stock options to purchase the same number of Winston Shares on a one-for-one basis at an exercise price of \$0.25 per share expiring from 12 to 60 months from the date of grant. The Winston Shares and the Winston incentive stock options issued to the directors of Winston, are subject to a 36- month escrow period and shall be released on a pro rata basis as follows: 10% on the date of listing of the Winston Shares on the CNSX and 15% upon each of the dates which are 6,12, 18,24,30 and 36 months after the date of listing of the Winston Shares.

Prior to the reverse takeover transaction, Winston completed an arrangement under Division 5 of Part 9 of the Business Corporations Act (British Columbia) which divested Winston of its interest in the Wels properties located in the Whitehorse Mining District of the Yukon Territory, Canada, and transferred ownership of said properties to two wholly-owned subsidiaries of Winston (Gorilla Minerals Corp. and Defiant Minerals Corp.) and distributed the shares of the subsidiaries to the shareholders of Winston as a dividend.

Lastly, at Winston's request, Lancaster & David, Chartered Accountants ("Lancaster") resigned as auditor of the Company effective June 22, 2012, and upon the recommendation of the Audit Committee of Winston, the Board of Directors appointed simone parker LLP as successor auditors in their place. There have been no reservations contained in the auditor's reports rendered by Lancaster for the two most recent fiscal years and in the opinion of Winston, no reportable events within the meaning of National Instrument 51-102 of the Canadian Securities Administrators ("NI51-102") have occurred.

### **Acquisition of Elmtree Gold Project**

The Elmtree Gold Project consists of 83 claims that cover a contiguous area of approximately 1,811 hectares and hosts at least 3 gold bearing zones, being the higher grade West Gabbro Zone, the original Discovery Zone and the larger tonnage, lower grade South Gold Zone. More information on Elmtree is given below.

The Elmtree Gold Project was acquired as part of the reverse merger transaction whereby Winston acquired CNRP, which became a wholly owned subsidiary of Winston. CNRP had entered into two transactions to acquire a total of 100% of the Elmtree Gold Project, 60% from Castle Resources Inc ("Castle") and 40% from Stratabound Minerals Corp ("Stratabound"). Both transactions closed on June 22, 2012, and are described below

### The Castle Transaction

Castle is a reporting issuer whose shares are listed on the TSX Venture Exchange and was the registered and beneficial owner of a 60% right, title and interest in the mining claims and mining patents comprising the Elmtree Gold Project. Castle also had an exclusive right, title and option to acquire from Stratabound an additional 10% right, title and interest in the Elmtree Property exercisable on or before June 26, 2012.

On April 9, 2012, CNRP entered into a letter of intent with Castle pursuant to which CNRP agreed to acquire from Castle: (i) Castle's 60% right, title and interest in the Elmtree Property; and (ii) Castle's option to acquire an additional 10% right, title and interest in the Elmtree Property granted by Stratabound pursuant to an option agreement between Castle and Stratabound dated June 1, 2009.

CNRP and Castle executed a definitive agreement on April 30, 2012. As consideration, CNRP agreed to pay Castle \$500,000 in cash, \$250,000 of which is payable on the date which is 6 months from the completion of the Transaction and the balance of \$250,000 payable on the date which is 12 months from the completion of the Transaction. CNRP also agreed to grant a 3% Net Smelter Royalty in favour of Castle from 60% of the gross revenue received from the sale of minerals from the Elmtree Property, less transportation and refining costs.

Upon completion of the Castle Transaction, CNRP issued a total of 18,000,000 CNRP Shares to Castle at a deemed price of \$0.25 per common share for a total value of \$4,500,000. Upon completion of the Transaction, those CNRP Shares were exchanged on a one-for-one basis into 18,000,000 Winston Shares at a deemed price of \$0.25 per common share for a total deemed value of \$4,500,000. Castle will dividend or distribute the 18,000,000 Winston Shares to the shareholders of Castle as soon as reasonably possible, and until that dividend occurs, Castle has assigned to Daniel Wettreich all of its voting rights in and to the Winston Shares owned by Castle (the "Voting Rights Agreement"). The voting rights assigned to Mr Wettreich will terminate upon the earlier of the distribution of the Winston Shares to the shareholders of Castle as a dividend, or the date which is 24 months from June 22, 2012. Pursuant to the Voting Rights Agreement, Castle will not sell any of the its Winston Shares to a third party without the prior written consent of CNRP, such consent may be unreasonably withheld.

On June 22, 2012 the Castle Transaction was closed.

### The Stratabound Transaction

Stratabound is a reporting issuer whose shares are listed on the TSX Venture Exchange and was the registered and beneficial owner of a 40% right, title and interest in the mining claims and mining patents comprising the Elmtree Gold Project. It also owned all the rights, obligations and interest as optionor pursuant to an underlying option granted to Castle to acquire an additional 10% in the Elmtree Gold Project.

On April 13, 2012, CNRP CNRP agreed to acquire all the rights, title and interest of Stratabound in the Elmtree Gold Project. CNRP and Stratabound executed a definitive agreement on May 1, 2012. As consideration, CNRP agreed to pay Stratabound \$300,000 in cash, \$100,000 of which was payable on the date of the closing of the Stratabound Transaction, \$100,000 of which is payable 6 months from the completion of the Transaction and \$100,000 of which is payable on the date which is 12 months from the completion of the Transaction. Upon completion of the Stratabound Transaction, CNRP issued a total of 10,000,000 CNRP Shares to Stratabound at a deemed price of \$0.25 per common share for a total value of \$2,500,000. Upon completion of the Transaction, the CNRP Shares were then exchanged on a one-for-one basis into 10,000,000 Winston Shares at a deemed price of \$0.25 per share for a total deemed value of \$2,500,000. Stratabound agreed to dividend or distribute the 10,000,000 Winston Shares to the shareholders of Stratabound as soon as reasonably possible following completion of the Transaction. Stratabound assigned to Daniel Wettreich all of its voting rights in and to the Winston Shares received, which voting rights will terminate upon the earlier of the distribution of the Winston Shares

to the shareholders of Stratabound as a dividend or the date which is 24 months after the completion of the Acquisition. Stratabound agreed not to sell any of its Winston Shares to a third party without the prior written consent of CNRP, such consent may be unreasonably withheld.

On June 22, 2012 the Stratbound Transaction was closed. At the end of July 2012, Stratabound distributed the shares it owned in Winston to the Stratabound shareholders.

### **Equity Financing ( in the amount of approximately \$1,035,000 )**

Prior to, coinciding with, and immediately after the reverse takeover transaction, the Company raised a total of approximately \$1,035,000 through equity financing. Prior to the reverse takeover, CNRP completed a private placement with Danny Wettreich to raise \$500,000. Other investors in CNRP completed a \$25,000 private placement. CNRP is now a wholly owned subsidiary of Winston.

Concurrently with the reverse takeover transaction CNRP also completed a brokered private placement of 640,000 CNRP Shares at \$0.25 per share conducted by Euro Pacific Canada Ltd. ("Euro Pacific") to raise \$160,000. The CNRP Shares were converted to Winston shares at the closing of the reverse takeover. A cash commission of \$8,500 was paid by CNRP to Euro Pacific and share purchase warrants to purchase up to 34,000 CNRP Shares at \$0.25 per share were issued to Euro Pacific. A corporate finance fee payable in 80,000 CNRP Shares was also issued to Euro Pacific. (The warrants of CNRP issued to Euro Pacific were exchanged into share purchase warrants, under the same terms as the original warrants, to purchase up to 34,000 Winston Shares, and the 80,000 CNRP shares issued as a corporate finance fee were also exchanged into 80,000 Winston Shares, on a one-for-one basis).

During July, Winston raised \$350,000 in a non-brokered private placement of 1,750,000 units of Winston at a price of \$0.20 per Unit. Each Unit consists of one common share in the capital of Winston and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional common share in the capital of Winston at an exercise price of \$0.30, for 24 months after closing; provided, however, that in the event that the common shares trade on the CNSX at a closing price of greater than \$0.40 per share for a period of 10 consecutive trading days Winston may, in its sole discretion, accelerate the expiration date of the warrants. The securities were issued pursuant to appropriate exemptions under the United States Securities Act of 1933, as amended, and are subject to a hold period in Canada of four months and a day. The proceeds of the Private Placement will be used for working capital purposes.

### **Acquisition of Etamame**

The Etamame Lake Nickel Project ("Etamame") is located in the Lingman Lake Greenstone belt area about 38 kilometres south-west of Sachigo Lake in Northwestern Ontario, Canada. It consists of 10 claim blocks totalling 142 claim units that have not previously been drilled. Geotech Ltd. carried out a VTEM AEM survey over Etamame in March 2011, which identified numerous prospective targets associated with strong magnetic anomalies.

On June 27, 2012 the Company acquired 100% of Etamame. It also acquired in a separate transaction a geophysical airborne survey (the "Airborne Survey") carried out over Etamame. By acquiring the Airborne Survey, the value of Etamame was enhanced as it enabled the Airborne Survey to be utilized in the production of a NI43-101 Technical Report. Such report was subsequently commissioned by the Company and was completed in June 2012.

The total acquisition price for Etamame, including the Airborne Survey and an NSR that was repurchased, was \$372,500 payable in a combination of cash and newly issued shares of Winston, and also the payment of a 2% royalty. In accordance with the terms of a share purchase agreement dated June 27, 2012 and finalized on June 28, 2012 as required under CNSX rules, between Winston and the vendors, Stephen Shefsky and Pele Mountain Resources Inc., Winston purchased 100% of the issued and outstanding shares of 2238484 Ontario Inc., which holds a 100% interest in the mineral claims at Etamame. The consideration was paid by the issuance of 650,000 common shares in the capital of Winston, at a deemed price of \$0.25 per share. As additional consideration for the Purchased Shares, 2238484 Ontario Inc agreed to pay a royalty to the vendors equal to 2% of net smelter returns from the sale of mineral products from Etamame.

In a separate transaction Winston also acquired the Airborne Survey from Largo Resources Ltd. ("Largo"), in consideration for which it issued 320,000 common shares in the capital of Winston at a deemed price of \$0.25 per share, and paid \$50,000 in cash to Largo. A further payment of \$30,000 is also payable by Winston to Largo on the six month anniversary of closing.

Further, the Company acquired from 2212150 Ontario Inc operating as Vanex Exploration a 1.5% NSR in consideration for the issuance of 200,000 shares at a deemed price of \$0.25 per share and 100,000 warrants to acquire 100,000 common shares at a price of \$0.25 exercisable for a period of 24 months commencing from June 27,2012.

2238484 Ontario Inc. has now been renamed Hadley Mining Inc.

### **Spin Off of Hadley Mining Inc and Zara Resources Inc**

On October 12, 2012 Winston entered into agreements with its wholly owned subsidiaries, Hadley Mining Inc ("Hadley") and Zara Resources Inc ("Zara") to spin off Hadley and Zara., which will then apply for listing on the CNSX. It is expected that following the spin off, Winston will retain approximately 90% of the issued and outstanding shares of Hadley and Zara.

Hadley owns 100% of the Etamame Lake Nickel Project located in the Lingman Lake Greenstone belt area about 38 kilometres south-west of Sachigo Lake in Northwestern Ontario, Canada. This is a highly prospective potential nickel deposit, and a geophysical airborne survey has identified numerous prospective targets associated with strong magnetic anomalies. The NI43-101 Technical Report on the property is available on Winston's profile on SEDAR at [www.sedar.com](http://www.sedar.com), and on Hadley's website at [www.HadlevMining.com](http://www.HadlevMining.com)

Zara owns an option with Melkior Resources on two properties in the Ring of Fire in Ontario whereby Zara can obtain up to a 70% ownership position in a highly prospective Nickel-Copper-PGE mineralization project. The Broke Back and Riverbank properties are adjacent to Noront Resources Ltd.'s Eagle One and Eagle Two nickel-copper projects and to Cliffs Natural Resources Inc.'s Black Thor deposit. The NI43-101 Technical Report on the property is available on Winston's profile on SEDAR at [www.sedar.com](http://www.sedar.com), and on Zara's website at [www.ZaraResourcesInc.com](http://www.ZaraResourcesInc.com)

The spin-off will be transacted by way of a statutory plan of arrangement (the "Plan of Arrangement") under the Business Corporations Act (British Columbia). Pursuant to the terms of the Plan of Arrangement, Winston will distribute approximately 10% of the outstanding common shares of each of Hadley and Zara to holders of common shares of Winston such that each Winston shareholder of record on the effective date of the Plan of Arrangement will receive one common share in the capital of each of Hadley and Zara for every twenty-five common shares in the capital of Winston.

A special meeting ("Meeting") of Winston shareholders will be held on December 5, 2012 at which the shareholders will be asked to vote on a special resolution approving the Plan of Arrangement. The record date for determining shareholders entitled to receive notice of and vote at the Meeting, is October 31, 2012. If approved, the spinoff would be completed shortly thereafter, subject to the receipt of all necessary approvals. The spin-off is subject to



numerous conditions including shareholder and court approval, approval by, and listing of the common shares of Hadley and Zara on the CNSX and completion of all regulatory filings.

Management is of the opinion that this spin-off will enable Winston to focus on developing its Elmtree Gold Project, while giving the shareholders of Winston the opportunity to have a direct interest in two new public companies which will explore their own unrelated projects.

## **MINERAL PROPERTIES**

### **Elmtree Gold Project**

The Elmtree Property is located in the Bathurst Mining Camp approximately 25 km northwest of Bathurst, New Brunswick and comprises a total of 83 claims that cover a contiguous area of approximately 1,811 hectares. Elmtree has a combined indicated and inferred resource of 294,000 ounces of gold.

There are three gold-bearing zones within the property: the West Gabbro Zone, Discovery Zone and the South Gold Zone. Micon International Limited completed a NI 43-101 compliant technical report on May 25, 2012 (the "Technical Report") which shows 1,611,000 indicated tonnes grading 1.91 g/t gold (99,000 ounces gold) and 2,053,000 inferred tonnes grading 1.67 g/t of gold (110,000 ounces of gold) in the West Gabbro Zone, with 2,367,000 inferred tonnes grading 0.74 g/t in the South Gold Zone (56,000 ounces of gold), 700,000 inferred tonnes grading 1.25 g/t in the Discovery Zone (29,000 ounces of gold). The cut-off grade used for the West Gabbro Zone and the Discovery Zone is 0.5 g/t Au and that for the South Gold Zone is 0.3 g/t Au.

According to the February 2012 Mining Policy Potential Index by the independent research group Fraser Institute, New Brunswick is the most attractive mining jurisdiction in the world, with excellent local milling and processing infrastructure, including power, roads and a skilled work force. Winston intends to explore and expand the known Elmtree resource.

Prior to the closing of the reverse takeover, CNRP commissioned Micon International to complete an updated NI 43-101 compliant technical report. The report was dated May 25, 2012 and increased the resource estimate by 30% with 99,000 ounces indicated and 195,000 ounces inferred.

### **Overview of Geology**

The Elmtree Property is situated within the Elmtree Inlier which constitutes a tectonic sliver considered to be a remnant of Dunnage Terrain oceanic crust, located adjacent to the north margin of the terrain's Exploits Sub-Zone. The Elmtree Inlier consists of strata of the Fournier Group and Belledune River Melange (formerly Elmtree Group). The first consists of an Ordovician volcanic-sedimentary sequence comprised of ophiolitic volcanics, deformed mafic intrusions, minor plagiogranite and dark grey slate, greywacke and melange, and the second contains later Ordovician lithic and quartz wacke and interbedded grey slate, locally with thinly interbedded limestone and conglomerate. Minor amounts of mafic volcanics are also present. The most important structural aspects of the property are the Elmtree Fault system and its anastomosing subsidiary shears that trend generally east-west to east-northeast across the property and show steep to vertical dips where defined by drilling and mapping. The main Elmtree Fault structure is a splay of the crustally significant Rocky Brook-Millstream Fault that occurs approximately 8 km to the south, where it forms the tectonic boundary with adjacent rocks of the Mirimichi Terrain. Within the property area, the Elmtree Fault manifests itself as a broad zone of shearing, fracturing and deformation separating graphitic argillites of the Elmtree Formation from calcareous siltstones of the Chaleurs Group. The structure is thought to have controlled emplacement of the gabbroic intrusion that hosts the West Gabbro Zone gold mineralization on the property, while subsidiary structures on the Elmtree Property have controlled emplacement of feldspar porphyry dykes as well

as mineralized quartz vein arrays and hydrothermal alteration zones in the nearby South Zone and Discovery Zone areas.

## Overview of Mineralization

Gold, base metal and silver mineralization have been identified on the Elmtree Property and are considered to have been developed under mesothermal conditions conducive to ductile and brittle-ductile shearing and alteration. Pervasive alteration associated with such mineralization suggests control of associated hydrothermal alteration systems on the property by the Elmtree Fault and its related splays. Intensity of alteration development appears to reflect both original rock type and degree of deformation, since strongly sheared or fractured lithologies often show the greatest degrees of both hydrothermal alteration and associated gold and sulphide mineralization. Other factors, such as original grain size in mafic gabbroic intrusions, also appear to control alteration intensity, as seen in the West Gabbro Zone's central core.

Three separate gold deposits have been discovered on the property to date. These are the West Gabbro Zone (WGZ), the Discovery Zone (DZ) and the South Gold Zone (SGZ).

## West Gabbro Zone

Gold occurs in sulphide bearing vein arrays and also within the intensely altered host gabbro in association with finely disseminated to locally massive arsenopyrite and other sulphides such as pyrrhotite and pyrite. Lesser amounts of chalcopyrite, sphalerite and stibnite are also present. The highest gold grades are found in areas showing most intense alteration of the intrusion, with a direct association being seen between gold and presence of arsenopyrite.

## Discovery Zone

This zone consists of multiple quartz-sulphide vein assemblages hosted by variably sheared and altered argillites and siltstones (Elmtree Formation), as well as variably sheared and altered calcareous siltstones of the Silurian Chaleurs Group. One of these assemblages carries significant silver, zinc, lead and antimony levels with relatively low gold and shows close association with specific felsic dyke contact intervals. Sphalerite, galena, chalcopyrite, pyrite, stibnite and silver bearing sulphosalts are present. The other assemblage is more comparable to that seen in some parts of the SGZ and WGZ, where finely disseminated to locally massive arsenopyrite occurs in association with pyrrhotite, pyrite and minor amounts of sphalerite, chalcopyrite and stibnite in either highly altered host sections or within quartz vein and stringer arrays. The east-west striking shears typically show vertical or very steep dips and are considered brittle-ductile elements of the Elmtree Fault system.

## South Gold Zone

Gold mineralization in the SGZ occurs in Silurian siltstones and fine grained interbedded sandstones that frequently show calcareous matrix materials. The mineralized zone is characterized by cross shears and brittle fractures associated with the Elmtree Fault system and shows hydrothermal alteration represented by bleaching, sericitic alteration and silicification of the sedimentary section. Fine grained and generally acicular arsenopyrite is broadly present in the altered and locally sheared sections and often is associated with quartz vein arrays showing well developed sulphide assemblages consisting of arsenopyrite, pyrrhotite, pyrite and trace to minor amounts of base metal sulphides or sulphosalts.

## Exploration

The history of modern mineral exploration on the Elmtree Property began with Amax Exploration Ltd. (1958) which completed ground geophysics on two grids located in the Alcida area and completed two diamond drill holes that failed to return significant gold, silver or base metals. Lacana Mining Corp. (Lacana) prospectors are credited with the discovery of the Elmtree gold deposits in 1994. These prospectors observed several boulders and bedrock showings of quartz and sulphides in vein style settings on the property. Thereafter, Lacana established the extents of the discovery using a multi-disciplinary approach involving ground and airborne geophysics (magnetics and VLF-EM), soil geochemistry, trenching and geological mapping followed by drilling. Stratabound and Castle's exploration programs (2004 – 2010) have involved detailed delineation drilling of the deposits with special emphasis on the WGZ which was identified as offering the best potential.

## Mineral Resource Estimation

The resources in the Elmtree Technical Report were estimated in accordance with the definitions contained in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves Definitions and Guidelines that were prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on November 27, 2010. The effective date of the mineral resource estimate is 4 March, 2011. Resources have been estimated using a three-dimensional block modelling approach. For each mineralized zone, wireframe models have been built up from intersected geologic limits. Grade interpolation for the WGZ was conducted using the inverse distance cubed (ID3) technique while interpolations for the DZ and SGZ were conducted using the nearest neighbour (NN) technique due to limited drill hole information.

The total estimated resources for the Elmtree Property are shown in the "Elmtree Deposits Mineral Resources Estimate" Table at a cut-off grade of 0.5 g/t gold, except for the Discovery zone, which is at 0.3 g/t.

### Elmtree Deposits Mineral Resource Estimate

| Deposit/Zone          | Category  | Tonnes    | Au (g/t) | Au oz   | Ag (g/t) | Pb%  | Zn%  |
|-----------------------|-----------|-----------|----------|---------|----------|------|------|
| WGZ                   | Indicated | 1,611,000 | 1.91     | 99,000  | -        | -    | -    |
| WGZ                   | Inferred  | 2,053,000 | 1.67     | 110,000 | -        | -    | -    |
| SGZ                   | Inferred  | 2,367,000 | 0.74     | 56,000  | -        | -    | -    |
| DZ Au Only Zone       | Inferred  | 583,000   | 1.15     | 22,000  | -        | -    | -    |
| DZ Au/Ag/Pb/Zn Zone   | Inferred  | 117,000   | 1.77     | 7,000   | 44.36    | 0.78 | 2.17 |
| DZ Ag/Pb/Zn Zone      | Inferred  | 41,000    | -        | -       | 25.80    | 0.43 | 1.53 |
| Sub-Total DZ Inferred | Inferred  | 741,000   | 1.18     | -       | 8.43     | 0.15 | 0.43 |

#### Notes:

(1) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

(2) There has been insufficient exploration to define the inferred resources as an indicated or measured mineral resource. It is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.

(3) At present there are no known environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which would adversely affect the mineral resources estimated above. However, mineral resources which are not mineral reserves, do not have demonstrated economic viability. There is no assurance that CNRP or the Corporation will be successful in obtaining any or all of the requisite consents, permits or approvals, regulatory or otherwise, for the project.

### **Etamame Nickel Project (Hadley Mining Inc)**

The Etamame Nickel Project is located in the Lingman Lake Greenstone belt area about 38 kilometres southwest of Sachigo Lake in Northwestern Ontario, Canada. It consists of 10 claim blocks totaling 142 claim units that have not previously been drilled. Geotech Ltd. carried out a VTEM AEM survey over Etamame in March 2011, which identified numerous prospective targets associated with strong magnetic anomalies. Management believes that the airborne survey data is very encouraging.

Etamame could host Ni-Cu-PGE sulphide deposits as it conforms to the geological model of the substantial Western Australian Kambalda-Winderra deposit. Etamame is located in the Sachigo sub-province where Noront, Freewent-Cliff Resources, and KWG have made new nickel-chrome discoveries. Management believes that Etamame represents a highly prospective potential nickel deposit that justifies a drilling program.

The Etamame Lake Ultramafic Complex Property area is characterized by tholeiitic-komatiitic volcanism that strikes for over 12km east-west. The volcanic pile is on average 1km to 1.5km thick. The area contains a series of intercalated near vertical dipping komatiites (peridotites/pyroxenites and dunites), biotite rich mafic volcanics, crystal tuffs, felsic volcanic conglomerates, cherts and sulphide iron formation. Serpentinized pyroxenite outcrops were noted 1km due west of Etamame Lake indicating strong hydrothermal activity located along strong east/west shear/fault systems. The age of the Etamame Lake property rocks are 2742 to 2749 billion years old exhibiting greenschist facies. The Etamame Lake Ultramafic Complex could host Ni-Cu-PGE sulphide bodies.

The Etamame Lake Ultramafic Complex conforms to the geological model of the Western Australian Kambalda-Windarra type volcanic-peridotite associated Ni-Cu-PGE deposits, both in geological setting and possible metal concentrations and mineral associations. According to the deposit model the massive sulphide bodies are predominantly located at the base of komatiite flows in contact with footwall rocks. A volumetrically larger blanket of net-textured and disseminated sulphides overlies the massive sulphide portion of the deposits. Genesis of volcanogenic nickel sulphide deposits has been attributed to magmatic processes, a sulphide flow hypothesis, volcanic-exhalative activity and replacement phenomenon. The generation of a massive nickel sulphide horizon is done by magmatic processes via gravity settling of immiscible sulphide droplets in situ.

The Etamame Lake Ultramafic Complex was identified by utilizing public domain data and knowledge gained from the MNDM Resident Geology offices located in Red Lake, Thunder Bay and Sudbury. Since 2006 Noront, Freewest-Cliff Resources, KWG have made new nickel-chrome discoveries located in the eastern portion of the Sachigo Sub Province. The Sachigo Sub Province contains 14 greenstone belts that lie in the most northern portions of Manitoba and Ontario. Considerable work has been done to identify all geological information available over the fourteen greenstone belts and identify all mafic/ultramafic units mapped by the OGS – GSC or any historical foreign exploration.

The Lingman greenstone belt lies 47km west of the Sachigo First Nation Community. Ultramafics and sulphide rich iron formations units were identified in the south east arm of the Lingman Lake greenstone belt by Wilson and Pelletier. The area was identified by Vanex Exploration to be an excellent komatiitic Ni-Cu-PGE project. Ontario OGS assessment file research worked indicated no exploration has been carried out over the Etamame Lake ultramafics/sulphide iron formation environment. Exploration within the Lingman Lake greenstone belt

consisted mostly gold exploration. Utilizing ODM-GSC Aeromagnetic maps they show an intense linear east/west trending magnetic feature 14 km long and 1 to 1.5 km wide that sit on top of the ultramafics and sulphide iron formations.

The available magnetic data implies that the ultramafic flows are contorted and it is near these changes in geometry that the best nickel grades have been found to date and likely will be host to economic concentrations of Nickel-copper bearing sulphides.

### **Broke Back and Riverbank Claims in the Ring of Fire (Zara Resources Inc)**

As part of the Winston reverse merger transaction, CNRP acquired from Green Swan Capital an option with Melkior Resources on two properties in the Ring of Fire in Ontario. This option was acquired by Zara in October 2012. Zara can obtain up to a 70% ownership position in a highly prospective Nickel-Copper-PGE mineralization project. The Broke Back and Riverbank properties are adjacent to Noront's Eagle One and Eagle Two nickel-copper projects and to Cliff Resources Black Thor deposit which is the largest Chromite deposit in North America. Zara .

Zara can acquire an initial 51% undivided interest in the Properties by incurring a minimum of \$1,600,000 in work expenditures on the Properties by no later than December 31, 2014. Following that, Melkior Resources Inc ("Melkior") has the right to elect to form a joint venture with Zara. Should Melkior not elect to form a joint venture on the Properties, Zara will have the option to acquire an additional 19% interest (for a total 70% undivided interest in the Properties) by incurring an additional \$1,000,000 in work expenditures on the Properties within twenty-four months.

At the request of Zara, Alan Aubut P. Geo of the Sibley Basin Group prepared a NI43-101 compliant report of the geology and work done to date on the Riverbank and Broke Back Claims in the McFauld's Lake Area, Ontario. The Report describes the geology and work done to date on the Broke Back and Riverbank Properties (the "Properties"), and recommends a first phase exploration program consisting of ground geophysics followed by diamond drilling to confirm the presence of magmatic sulphides. The recommended budget for this program is \$682,000.

The Broke Back property consists of 18 unpatented mining claims comprising of 256 claim units covering an area of approximately 4,096 ha. The Riverbank property consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1392 ha..

The properties are located in the Kasabonika-McFauld's Greenstone belt, part of the Sachigo sub-province of the Precambrian Shield area of Northwestern Ontario, approximately 540 km north-north east of Thunder Bay, Ontario and 350 km north of Geraldton, Ontario. The project area is located along the western margin of the James Bay Lowlands within the Tundra Transition Zone consisting primarily of string bog and muskeg whereby the water table is very near the surface. Average elevation is approximately 170 m above mean sea level. The property area is predominantly flat muskeg with poor drainage due to the lack of relief. Glacial features are abundant in the area and consist of till deposits, eskers, and drumlins, all of which are typically overlain by marine clays from the Hudson Bay transgression.

The properties are believed to be underlain in part by mafic to ultramafic rocks that potentially could host nickel -copper mineralization. Prior to the acquisition of the option interest in the property by Zara, Melkior completed an airborne VTEM survey and associated aeromagnetic survey by Geotech. This was followed by three diamond drill holes in 2011 totalling 416 m. No obvious targets were identified on the Broke Back property but a number of conductive trends are present on the Riverbank property. The work to date has not disproved that the properties are underlain by rocks that include ultramafic bodies. The geophysics done to date indicates that the target model of mafic-ultramafic associated nickel bearing magmatic sulphides is valid. Exploration over the properties to date has consisted primarily of geophysics followed by limited diamond drilling.

## INTEREST IN MINERAL PROPERTIES

The capitalized cost of each property is detailed in the following analysis.

### **Elmtree Gold Project, New Brunswick, Canada**

Acquisition Costs \$7,703,945

Balance at July 31, 2012 \$7,703,945

### **Broke Back and Riverbank Properties, Ring of Fire, Ontario, Canada (Zara Resources Inc)**

Acquisition Costs \$300,000

Balance at July 31, 2012 \$300,000

### **Etamame Nickel Project, Sachigo, Ontario, Canada (Hadley Mining Inc)**

Acquisition Costs \$333,700

Balance at July 31, 2012 \$333,700

## **RESULTS OF OPERATIONS**

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The Company is in the development stage and therefore did not have revenues from operations. For the period ended July 31, 2012 the Company incurred a comprehensive loss of \$1,188,903 (\$0.07 loss per share). Significant expenses included the excess of consideration paid over deficiency in assets acquired which was charged to the statement of comprehensive loss as Listing fees of \$560,051, professional fees of \$477,635, office expenses of \$67,214, and consulting fees of \$54,000.

### **Selected Annual and Quarterly Financial Information**

The following table provides selected financial information that should be read in conjunction with the Audited Financial Statements and Notes of the Company for the applicable period.

#### **Summary of Results**

|                                | Period from September 15, 2012 (date of incorporation) to July 31, 2012 |
|--------------------------------|---|
|                                | \$  |
| Interest Income                | 1,557   |
| Net loss                       | 1,188,903   |
| Interest in Mineral properties | 8,337,645   |
| Current Assets                 | 569,860   |
| Total Assets                   | 8,907,290   |
| Total Liabilities              | 919,956   |
| Shareholders Equity            | 7,987,334   |

## Liquidity and Solvency

At July 31, 2012 the Company had cash of \$549,654 and working capital of \$569,860. The Company has been successful in accessing the equity market during difficult market conditions, however there is no guarantee that equity will continue to be available, and if available it may not be on terms that Management finds is in the interest of the Company.

The following table summarizes the Company's cash on hand, working capital and cash flow as at July 31, 2012

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|  |            |
|--|------------|
| Cash   | \$ 549,654 |
| Working Capital                                | 569,860    |
| Cash used in operating activities              | (414,628)  |
| Cash used in investing activities              | (87,268)   |
| Cash provided by Financing Activities          | 1,051,550  |
| Increase in Cash (being cash at end of period) | 549,654    |

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The Company is dependent on the sale of newly issued shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

## Capital Resources

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company's primary capital assets as at July 31, 2012 are resource properties.

The following is a summary of the Company's outstanding share, warrant and stock options data as of July 31, 2012, and November 1, 2012.

### Common Shares

At July 31, 2012 the Company had issued and outstanding 64,524,482 common shares. Subsequent to year end the Company did not issue any shares, and at November 1, 2012 the Company had issued and outstanding 64,524,482 common shares.

### Stock Options

At July 31, 2012 the Company had 4,200,000 stock options issued and outstanding with expiry dates ranging from June 23, 2013 through to June 23, 2017 and exercise prices all at \$0.25. All stock options entitle the holder to purchase common shares of the Company. Subsequent to year end the Company issued 1,000,000 to a director with an expiry date of September 15, 2014 at an exercise price of \$0.10. At November 1, 2012 the Company had 5,200,000 stock options issued and outstanding with expiry dates ranging from June 23, 2013 to June 23, 2017.

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## Warrants

At July 31, 2012 the Company had 4,284,000 warrants and brokers warrants outstanding, with each warrant entitling the holder to purchase one common share of the Company with expiry dates ranging from June 23, 2014 through to July 21, 2014. Subsequent to year end the Company did not issue any warrants, and at November 1, 2012 the Company had 4,284,000 warrants issued and outstanding.

## **Outlook and Capital Requirements**

During the next twelve months the Company is due to make payments to third parties relating to the acquisition of the Elmtree property, the acquisition of Hadley, and the acquisition of the Etamame airborne survey, and will need to raise additional equity capital in relation thereto. There is no guarantee that market conditions will be conducive to raising such additional equity capital. Depending on future events, the rate of Company expenditures and general and administrative costs could increase or decrease.

## **Related Parties Transactions**

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

During the period following the reverse takeover transaction, the Company incurred management fees of approximately \$22,000 paid to certain officers and directors of the Company. As from July 2012, the management fees owing to Sammiri Capital Inc for providing the services of Danny Wettreich and Mark Wettreich are being accrued in order to improve the liquidity of the Company.

## **Off-Balance Sheet Arrangements**

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The Company does not utilize off-balance sheet transactions.

## **Proposed Transactions**

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There are no proposed transactions that will materially affect the performance of the Company other than those disclosed in this MD&A.

## **Accounting Policies**

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The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgements or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. These financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant:

### *Principles of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CNRP Mining Inc., CNRP Dallas Inc. and Hadley Mining Inc. On consolidation, all intercompany transactions and balances were eliminated.



On June 22, 2012, Winston completed a reverse acquisition of CNRP Mining Inc ("CNRP"), which is now a wholly owned subsidiary of the Company. For accounting purposes, CNRP is considered to have acquired Winston as immediately following the acquisition CNRP's shareholders owned a majority of Winston's common shares. As such these financial statements represent CNRP's operations and cash flows from its date of incorporation to July 31, 2012, which have been consolidated with those of Winston's from June 22, 2012 to July 31, 2012.

### *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 the valuation of deferred income taxes, impairment testing of exploration and evaluation assets, and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities and 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.

### *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.

### *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 taxes 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 end of each reporting period. These taxes represent the between in 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. 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.

## *Cash*

Cash is comprised of non-interest bearing cash deposit balances, which are subject to insignificant risk of changes in their fair value. Cash is used by the Company in the management of its short-term commitments. Cash is carried at fair value through profit or loss in the statement of financial 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 reductions 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, conc 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.

*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.

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.

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.

*Loss per share and comprehensive loss per share*

Comprehensive loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss and comprehensive net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same. For the period ended July 31, 2012, all the outstanding options and warrants were anti-dilutive.

### *Foreign currency transactions*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each entity is the Canadian Dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in operations.

### *Future Accounting Policies*

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2013. For the purpose of preparing and presenting the financial statements for the relevant periods, the Company has consistently adopted all new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB issued the following Standards that are effective for reporting periods ending after these financial statements and which the Company may be required to adopt in future reporting periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' - effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 'Consolidated Financial Statements' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 'Joint Arrangements' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

IFRS 13 Fair Value Measurement was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. The main features of the new standard include the fact that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement).

When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis. A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to

observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

The Company has not early adopted these standards, amendments and interpretations, however it is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company

## **Financial Instruments and Risk Management**

The Company has designated its cash at fair value through profit and loss. Trade and other payables and advances from related party are designated as other financial liabilities, which are measured at amortized cost.

### ***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.

#### ***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. The Company anticipates having sufficient funds to carry out an exploration and acquisition program, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

#### ***Foreign currency risk***

The Company is exposed to currency risks on its United States dollar denominated working capital balances due to changes in the USD/CAD exchange rate. .

## **Capital Management**

The Company's objective in managing capital is to ensure continuity as a going-concern and to safeguard its ability to continue its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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 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.

## **Risks and Uncertainties**

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The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political and economical. The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management. The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral property contains mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves. There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its exploration commitments. Mineral exploration involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines. Exploration of the Company's mineral property may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations. The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

## **Conflicts of Interest**

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently the possibility of conflict exists. Any decisions made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare their interest and refrain from voting on any matters in which such directors may have a conflict of interest.

## **Management's Responsibility for Financial Statements**

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited consolidated financial statements.

## **Other**

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Additional information relating to the Company's operations and activities can be found by visiting the Company's website at [www.WinstonResourcesInc.com](http://www.WinstonResourcesInc.com) and [www.sedar.com](http://www.sedar.com).

## **Trends**

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Trends in the industry can materially affect how well any junior exploration company is performing. The price of precious metals remains high and as a result worldwide exploration is being maintained. Company management believes that the general trend will continue and that prices will be higher over time.

## **Outlook**

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The outlook for precious metals continues to be positive and this is reflected in the Company's ongoing activity. The prospect for financing the Company's projects is good and this will enable the Company to continue as a viable entity.

## **Cautionary Statement**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.



parker simone LLP

**Hadley Mining Inc.**

**Audited  
Financial Statements**

**Six Months Ended  
July 31, 2012 and  
Year Ended  
December 31, 2011**  
*(Expressed in Canadian Dollars)*

## parker simone LLP

Chartered Accountants  
129 Lakeshore Road East  
Suite 201 Mississauga Ontario  
L5G 1E5  
T 905 271.7977  
F 905 271.7677

### Independent Auditors' Report

To the Shareholder of  
Hadley Mining Inc.

We have audited the accompanying financial statements of Hadley Mining Inc. ("the Company"), which comprise the statement of financial position as at July 31, 2012 and December 31, 2011, and the statements of comprehensive loss, changes in equity and cash flows for both the six months ended July 31, 2012 and the year ended December 31, 2011, 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.

#### **Auditors' 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.

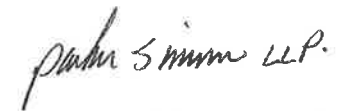
**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hadley Mining Inc. as at July 31, 2012 and December 31, 2011, and its financial performance and its cash flows for both the six months ended July 31, 2012 and the year ended December 31, 2011 in accordance with International Financial Reporting Standards.

**Emphasis of Matters**

Without qualifying our opinion, the accompanying financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in the notes to these financial statements, the Company has not generated revenues to date. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

November 1, 2012

  
Licensed Public Accountants

**Hadley Mining Inc.**  
**Statement of Financial Position**  
*(Expressed in Canadian Dollars)*

| <i>As at</i>  | July 31,<br>2012  | December 31,<br>2011 |
|---|-------------------|----------------------|
| <b>Assets</b>   |                   |                      |
| <b>Current Asset</b>  |                   |                      |
| Cash  | \$ -              | \$ 3,676             |
| <b>Exploration and Evaluation Assets</b> <i>(Note 7 and 10)</i> | <b>121,910</b>    | 120,234              |
|   | <b>\$ 121,910</b> | <b>\$ 123,910</b>    |
| <b>Liabilities</b>  |                   |                      |
| <b>Current Liabilities</b>                                      |                   |                      |
| Trade payables  | \$ -              | \$ 2,000             |
| Due to shareholders <i>(Note 8)</i>                             | -                 | 124,179              |
|   | -                 | 126,179              |
| <b>Shareholder's Equity</b>                                     |                   |                      |
| <b>Share Capital</b> <i>(Note 8 and 9)</i>                      | <b>124,449</b>    | 270                  |
| <b>Deficit</b>  | <b>(2,539)</b>    | <b>(2,539)</b>       |
|   | <b>121,910</b>    | <b>(2,269)</b>       |
|   | <b>\$ 121,910</b> | <b>\$ 123,910</b>    |

Going concern *(Note 2)*

Approved by the Board:

                  "Daniel Wettreich"                   Director

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

**Hadley Mining Inc.**  
**Statement of Comprehensive Loss**  
*(Expressed in Canadian Dollars)*

|  | Six Months Ended<br>July 31, 2012 | Year Ended<br>December 31,<br>2011 |
|--|-----------------------------------|------------------------------------|
| <b>Operating Expenses</b> <i>(Note 10)</i> |                                   |                                    |
| Professional fees                          | \$ -                              | \$ -                               |
| <b>Comprehensive Loss</b>                  | <b>\$ -</b>                       | <b>\$ -</b>                        |

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

**Hadley Mining Inc.**

**Statement of Changes in Equity**

(Expressed in Canadian Dollars)

|                                       | <u>Common Share Capital</u> |                   |                   | <u>Total<br/>Equity</u> |
|---------------------------------------|-----------------------------|-------------------|-------------------|-------------------------|
|                                       | <u>No. of<br/>Shares</u>    | <u>Amount</u>     | <u>Deficit</u>    |                         |
| Balance at                            |                             |                   |                   |                         |
| December 31, 2010 and 2011            | 9,000,000                   | \$ 270            | \$ (2,539)        | \$ (2,269)              |
| Common shares issued                  |                             |                   |                   |                         |
| on conversion of debt <i>(Note 8)</i> | 9,000,000                   | 124,179           |                   | 124,179                 |
| Comprehensive loss                    |                             | -                 | -                 | -                       |
| <b>Balance at July 31, 2012</b>       | <b>18,000,000</b>           | <b>\$ 124,449</b> | <b>\$ (2,539)</b> | <b>\$ 121,910</b>       |

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

**Hadley Mining Inc.**

**Statement of Cash Flows**

(Expressed in Canadian Dollars)

|  | Six Months Ended<br>July 31, 2012 | Year Ended<br>December 31,<br>2011 |
|--|-----------------------------------|------------------------------------|
| <b>Operating Activities</b>  |                                   |                                    |
| Comprehensive loss   | \$ -                              | \$ -                               |
| Adjustment to reconcile comprehensive loss to<br>cash flows from operating activities: |                                   |                                    |
| Accrued liabilities  | -                                 | (2,000)                            |
| <b>Cash Provided By Operating Activities</b>   | -                                 | (2,000)                            |
| <b>Financing Activities</b>  |                                   |                                    |
| Advances from parent   | -                                 | -                                  |
| <b>Cash Provided by Financing Activities</b>   | -                                 | -                                  |
| <b>Investing Activities</b>  |                                   |                                    |
| Additions to exploration and evaluation assets   | -                                 | (1,676)                            |
| <b>Cash Used in Investing Activities</b>   | -                                 | (1,676)                            |
| Decrease in cash for the period  | -                                 | (3,676)                            |
| Cash at beginning of period  | -                                 | 3,676                              |
| <b>Cash at End of Period</b>   | <b>\$ -</b>                       | <b>\$ -</b>                        |

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

# Hadley Mining Inc.

## Notes to Financial Statements

### Six Months Ended July 31, 2012 and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 1. Governing Statutes and Nature of Operations

Hadley Mining Inc. ("Hadley" or "the Company") was incorporated on March 26, 2012 under the laws of Ontario as 2238484 Ontario Inc. The Company filed Articles of Amendment October 10, 2012 changing its name from 2238484 Ontario Inc. to Hadley Mining Inc. The Company is engaged in the business of the acquisition, exploration and development of mining properties in Canada. Hadley is 100% owned by Winston Resources Inc., ("Winston") a Canadian public company. The head office of the Company is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario M5J 2Y5. During the six months ended July 31, 2012 Hadley's Board of Director changed its year end to July 31<sup>st</sup> to make it co-terminus with that of its parent company.

#### 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 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. Basis of Presentation and Statement of Compliance

##### *Statement of Compliance*

The financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS"), which includes the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these financial statements are based on IFRS issued and outstanding as of November 1, 2012, being the date the board of director approved these interim financial statements.



## Hadley Mining Inc.

### Notes to Financial Statements

Six Months Ended July 31, 2012  
and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 3. Basis of Presentation and Statement of Compliance (Continued)

##### ***Basis of Measurement***

The financial statements have been prepared on the historical cost basis, except for the measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

##### ***Functional and Presentation Currency***

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

#### 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 recoverability of amounts due from the parent company, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities and 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.

# Hadley Mining Inc.

## Notes to Financial Statements

Six Months Ended July 31, 2012  
and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

### 4. Significant Accounting Policies (Continued)

#### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) 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.

#### **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.

## Hadley Mining Inc.

### Notes to Financial Statements

Six Months Ended July 31, 2012  
and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

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.

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.

## Hadley Mining Inc.

### Notes to Financial Statements

Six Months Ended July 31, 2012  
and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### ***Exploration and Evaluations Assets ("E&E")***

E&E assets consist of exploration and mining concessions, options and contracts. Acquisition and leasehold 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.

##### ***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.

## Hadley Mining Inc.

### Notes to Financial Statements

Six Months Ended July 31, 2012  
and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### *Financial Assets and Financial Liabilities* (Continued)

**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.

**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.

## Hadley Mining Inc.

### Notes to Financial Statements

Six Months Ended July 31, 2012  
and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### **Financial Assets and Financial Liabilities** (Continued)

**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.

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.

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.

## Hadley Mining Inc.

### Notes to Financial Statements

#### Six Months Ended July 31, 2012 and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### **Financial Assets and Financial Liabilities** (Continued)

**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**

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2013. For the purpose of preparing and presenting the financial statements for the relevant periods, the Company has consistently adopted all new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB issued the following Standards that are effective for reporting periods ending after these financial statements and which the Company may be required to adopt in future reporting periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

IFRS 13 Fair Value Measurement was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. The main features of the new standard include the fact that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement).

## Hadley Mining Inc.

### Notes to Financial Statements

#### Six Months Ended July 31, 2012 and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### **Future Accounting Policies** (Continued)

When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis. A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently assessing what impact the application of these standards may have on the 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.



# Hadley Mining Inc.

## Notes to Financial Statements

Six Months Ended July 31, 2012  
and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

### 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 July 31, 2012, the Company had no cash at its disposal. The Company anticipates having sufficient funds to carry out an exploration and acquisition program, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

### 6. Capital Management

The Company's objective in managing capital is to ensure continuity as a going-concern and to safeguard its ability to continue its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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 Company defines its capital as the 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.

### 7. Exploration and Evaluation Assets

| Properties | Interest | Balance<br>at<br>December<br>31, 2011 | Option of<br>mining<br>property | Expenditures | Disposal/<br>Write off | Balance at<br>July 31,<br>2012 |
|------------|----------|---------------------------------------|---------------------------------|--------------|------------------------|--------------------------------|
| Ontario    |          |                                       |                                 |              |                        |                                |
| Etamame    | 100%     | \$ 121,910                            | \$ -                            | \$ -         | \$ -                   | \$ 121,910                     |
|            |          | \$ 121,910                            | \$ -                            | \$ -         |                        | \$ 121,910                     |

## Hadley Mining Inc.

### Notes to Financial Statements

#### Six Months Ended July 31, 2012 and Year Ended December 31, 2011

(Expressed in Canadian Dollars)

#### 7. Exploration and Evaluation Assets (Continued)

| Property | Interest | Balance at<br>December<br>31, 2010 | Option of<br>mining<br>property | Expenditures | Disposal/<br>Write off | Balance at<br>December<br>31, 2011 |
|----------|----------|------------------------------------|---------------------------------|--------------|------------------------|------------------------------------|
| Ontario  |          |                                    |                                 |              |                        |                                    |
| Etamame  | 100%     | \$ 120,234                         | \$ -                            | \$ 1,676     | \$ -                   | \$ 121,910                         |
|          |          | \$ 120,234                         | \$ -                            | \$ 1,676     |                        | \$ 121,910                         |

The vendor from whom Hadley acquired the property holds a 1.5% net smelter return ("NSR"). Under the terms of the acquisition agreement Hadley retains the right to buyback up to 1.0% of the NSR for \$1.0 million thereby reducing the vendor's royalty to a 0.5% NSR.

#### 8. Due to Shareholders

The amount due to the Company's was an unsecured non-interest bearing loan with no fixed terms of repayment. During the six months ended July 31, 2012 100% of this debt was exchanged for 9.0 million common shares.

#### 9. Share Capital

Hadley's authorized share capital consists of an unlimited number of common shares. Subsequent to year end Hadley redeemed 17,999,999 common shares for cash consideration of \$1.

#### 10. Subsequent Events

On October, 12, 2012, Hadley entered into a Plan of Arrangement (the "Plan") to acquire certain assets from Winston, its parent company. The assets to be transferred under the Plan includes \$100,000 cash, which was received by Hadley in October 2012, plus the rights to data compiled from airborne geological surveys conducted on Hadley's exploration and evaluation asset, that was acquired by Winston from a third party, as well as the 100% of royalty right (1.5% NSR) as described in note 7, which Winston also acquired. Under the terms of the Plan, Hadley is to issue 25.0 million common shares to Winston in exchange for these assets. Of the Hadley shares issued 2,580,979 shares will be immediately transferred to Winston's shareholders as a dividend. Upon completion of the Plan Hadley will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

The terms of the Plan requires that all costs and expenses of the transactions contemplated under the Plan, including legal, financial advisory, regulatory, printing and mailing costs, are to be paid and borne by Winston. As such, Hadley has no operations to report in its statement of comprehensive loss. Completion of the Plan is subject to regulatory and shareholder approvals.

parker simone LLP

**Zara Resources Inc.**

**Audited  
Interim Financial Statements**

**For the period from  
October 9, 2012**  
*(date of incorporation)*

**to October 19, 2012**

(Expressed in Canadian Dollars)

## parker simone LLP

Chartered Accountants  
129 Lakeshore Road East  
Suite 201 Mississauga Ontario  
L5G 1E5  
T 905 271.7977  
F 905 271.7677

### Independent Auditors' Report

To the Director of  
Zara Resources Inc.

We have audited the accompanying interim financial statements of Zara Resources Inc. ("the Company"), which comprise the interim statement of financial position as at October 19, 2012, and the interim statements of comprehensive loss, changes in equity and cash flows for the period from October 9, 2012 (*date of incorporation*) to October 19, 2012, 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.

#### **Auditors' 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.

parker simone LLP

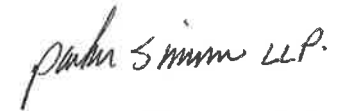
**Opinion**

In our opinion, the interim financial statements present fairly, in all material respects, the financial position of Zara Resources Inc. as at October 19, 2012, and its financial performance and its cash flows for the period from October 9, 2012 (*date of incorporation*) to October 19, 2012 in accordance with International Financial Reporting Standards.

**Emphasis of Matters**

Without qualifying our opinion, the accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in the notes to these financial statements, the Company has not generated revenues to date. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

November 1, 2012



Licensed Public Accountants

**Zara Resources Inc.**  
**Interim Statement of Financial Position**  
(Expressed in Canadian Dollars)

| <b>As at October 19,</b>                      | <b>2012</b>       |
|---|-------------------|
| <b>Assets</b>                                 |                   |
| <b>Current Asset</b>                          |                   |
| Cash  | \$ 100,001        |
|   | <b>\$ 100,001</b> |
| <b>Liabilities</b>                            |                   |
| <b>Current Liabilities</b>                    |                   |
| Accrued liabilities                           | \$ -              |
| <b>Shareholder's Equity</b>                   |                   |
| <b>Share Capital</b> (Note 8)                 | 1                 |
| <b>Shares Subscribed, Not Issued</b> (Note 7) | 100,000           |
| <b>Deficit</b>                                | -                 |
|   | <b>100,001</b>    |
|   | <b>\$ 100,001</b> |

Going concern (Note 2)

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

Approved by the Board:

          "Daniel Wettreich"           Director

**Zara Resources Inc.**

**Interim Statement of Comprehensive Loss**

(Expressed in Canadian Dollars)

| <b>Period from October 9, 2012</b> <i>(date of incorporation)</i> <b>to</b> | <b>October 19, 2012</b> |
|---|-------------------------|
| <b>Operating Expenses</b> <i>(Note 9)</i>                                   |                         |
| Professional fees   | \$ -                    |
| <b>Comprehensive Loss</b>   | \$ -                    |

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

**Zara Resources Inc.**

**Interim Statement of Changes in Equity**

(Expressed in Canadian Dollars)

|  | <u>Common Share Capital</u> |        | Shares<br>Subscribed,<br>Not Issued | Deficit | Total Equity |
|--|-----------------------------|--------|-------------------------------------|---------|--------------|
|  | No.                         | Amount |                                     |         |              |
| Common shares issued for cash upon incorporation date of October 9, 2012 | 1                           | \$ 1   |                                     |         | \$ 1         |
| Cash received from parent company (Note 7)                               |                             |        | \$ 100,000                          |         | 100,000      |
| Comprehensive loss (Note 9)  |                             |        |                                     | \$ -    | -            |
| <b>Balance at</b>  |                             |        |                                     |         |              |
| <b>October 19, 2012</b>  | 1                           | \$ 1   | \$ 100,000                          | \$ -    | \$ 100,001   |

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



**Zara Resources Inc.**  
**Interim Statement of Cash Flows**

(Expressed in Canadian Dollars)

| <b><i>For the period from October 9, 2012 (date of incorporation) to</i></b>        | <b>October 19, 2012</b> |
|---|-------------------------|
| <b>Operating Activities</b>   |                         |
| Comprehensive loss  | \$ -                    |
| Adjustment to reconcile comprehensive loss to cash flows from operating activities: |                         |
| Accrued liabilities   | -                       |
| <b>Cash Used in Operating Activities</b>  | -                       |
| <b>Financing Activities</b>   |                         |
| Issuance of common share  | 1                       |
| Shares subscribed, not issued   | 100,000                 |
| <b>Cash from financing Activities</b>   | -                       |
| <b>Investing Activities</b>   |                         |
| <b>Increase in Cash, being Cash at End of Period</b>                                | <b>\$ 100,001</b>       |

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

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 1. Governing Statutes and Nature of Operations

Zara Resources Inc. ("Zara" or "the Company") was incorporated on October 9, 2012 in the province of Ontario. The Company is engaged in the business the acquisition, exploration and development of mining properties in Canada. Zara is 100% owned by Winston Resources Inc., a Canadian public company. The head office of the Company is located at 208 Queens Quay West, Suite 2506, Toronto, Ontario M5J 2Y5.

#### 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 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. Basis of Presentation and Statement of Compliance

##### **Statement of Compliance**

The financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS"), which includes the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these interim financial statements are based on IFRS issued and outstanding as of November 1, 2012, being the date the board of director approved these interim financial statements.

##### **Basis of Measurement**

The financial statements have been prepared on the historical cost basis, except for the measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 3. Basis of Presentation and Statement of Compliance (Continued)

##### ***Functional and Presentation Currency***

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

#### 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 recoverability of amounts due from the parent company, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities and 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.

##### ***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.

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 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.

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### ***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.

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.

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### ***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.

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### **Financial Assets and Financial Liabilities** (Continued)

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.

**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.

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.

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### **Financial Assets and Financial Liabilities** (Continued)

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.

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**

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2013. For the purpose of preparing and presenting the financial statements for the relevant periods, the Company has consistently adopted all new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB issued the following Standards that are effective for reporting periods ending after these financial statements and which the Company may be required to adopt in future reporting periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.



## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (date of incorporation) to October 19, 2012

(Expressed in Canadian Dollars)

#### 4. Significant Accounting Policies (Continued)

##### **Future Accounting Policies** (Continued)

IFRS 13 Fair Value Measurement was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. The main features of the new standard include the fact that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement).

When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis. A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently assessing what impact the application of these standards may have on the 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

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 5. Financial Risk Management (Continued)

##### ***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.

##### ***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 October 19, 2012, the Company had, at its disposal, \$100,000 in cash. The Company anticipates having sufficient funds to carry out an exploration and acquisition program, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

#### 6. Capital Management

The Company's objective in managing capital is to ensure continuity as a going-concern and to safeguard its ability to continue its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. 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 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.

## Zara Resources Inc.

### Notes to Interim Financial Statements

For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012

(Expressed in Canadian Dollars)

#### 7. Exploration and Evaluation Assets

On October 12, 2012 Zara entered into a Purchase and Assignment Agreement (the "Agreement") with CNRP Mining Inc ("CNRP"), a company that is under common control. Under the terms of the Agreement Zara agreed to purchase from CNRP all of CNRP's rights, interests, obligations and benefits in an Option Agreement dated August 10, 2011 with Melkior Resources Inc. ("Melkior"). Under the terms of the Option Agreement, CNRP has a right to acquire up to a 70% interest in certain mining claims and rights known colloquially as the "Riverbank" and "Broke Back" claims

In consideration for the assignment of the Agreement, Zara agreed to issue 25.0 million common shares to CNRP's parent company, Winston Resources Inc. ("Winston") who is also Zara's 100% shareholder. In exchange of these shares Winston is to pay Zara \$100,000 cash and CNRP is to assign the Option Agreement to Zara. As at October 19, 2012 Zara received the \$100,000 cash payment from Winston. Upon the receipt of this cash payment the offsetting credit was recorded in equity as shares subscribed but not issued.

Under the terms of the Agreement Zara is to issue and deliver to CNRP a 10% Promissory Note if expenditures of \$235,000 are made on the Riverbank property and Brokeback property pursuant to the 2012 Work Program. If the 2012 Work Program is not completed, then such contingent consideration will not be due. The closing of this purchase and assignment is intended to take place on the Effective Date as part of the Plan of Arrangement, which is the date upon which the 25.0 million shares will be issued.

Under the terms of the Option Agreement dated August 10, 2011 Zara has the option to acquire from Melkior up to a 70% ownership interest in the Broke Back and Riverbank mining claims through the earning of two options. Under the first option Zara may earn a 51% interest by incurring \$1.0 million in exploration expenditures by December 14, 2014. After earning and exercising its option for the 51% interest Zara may earn a second option for a further 19% interest in the mining claims by incurring an additional \$1.0 million in exploration expenditures within twenty-four months of exercising the first option. If Zara incurs exploration expenditures in excess of \$1.0 million prior to December 14, 2014 then the amount in excess of \$1.0 million shall be carried over and shall qualify and be accounted for as expenditures to effect the second option.

#### 8. Share Capital

Zara's authorized share capital consists of an unlimited number of common shares and an unlimited number of special shares, issuable in series. The issuance of each series of special shares is subject to the filing of Articles of Amendment with the directors fixing the number of shares that comprise each series and the designations, rights, privileges, restrictions and conditions attaching to each series.

**Zara Resources Inc.**

**Notes to Interim Financial Statements**

**For the period from October 9, 2012 (*date of incorporation*) to October 19, 2012**

**(Expressed in Canadian Dollars)**

**9. Subsequent Events**

On October 12, 2012, Zara entered into a Plan of Arrangement (the "Plan") to acquire certain assets from Winston, its parent company. Under the terms of the Plan, Zara is to issue 25.0 million common shares to Winston in exchange for \$100,000 cash plus the mineral property Option Agreement described in note 7 above. Of the Zara shares issued 2,580,979 shares will be immediately transferred to Winston's shareholders as a dividend. Upon completion of the Plan Zara will be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

The terms of the Plan requires that all costs and expenses of the transactions contemplated under the Plan, including legal, financial advisory, regulatory, printing and mailing costs, are to be paid and borne by Winston. As such, Zara has no operations to report in its interim statement of comprehensive loss. Completion of the Plan is subject to both regulatory and shareholder approval.