

# **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)**

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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 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 felsite and 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 Gabro 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.