# Winston Resources Inc.

## Unaudited Interim Consolidated Financial Statements

### Nine Months Ended April 30, 2014 and 2013

*(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 consolidated financial statements.

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of April 30, 2014 and for the periods presented by the 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 financial statements together with other financial information of the Company for issuance to the shareholders.

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

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

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

*"Daniel Wettreich"*
Chief Executive Officer

## NOTICE OF NO AUDITOR REVIEW OF REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

**Winston Resources Inc.**
**Unaudited Interim Consolidated Statements of Financial Position**
**As at**
*(Expressed in Canadian Dollars)*

| | April 30, 2014 | July 31, 2013 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | $ 45,708 | $ 54,152 |
| HST recoverable | 25,364 | 82,279 |
| Prepaid expenses | 5,846 | 2,657 |
| | 76,918 | 139,088 |
| **Equity Investments** *(Note 7)* | 99,705 | - |
| **Exploration and Evaluation Assets** *(Note 8)* | 7,703,760 | 7,703,760 |
| | $ 7,880,383 | $ 7,842,848 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Trade payables and accrued liabilities *(Note 10)* | $ 258,683 | $ 263,255 |
| Mineral properties purchase price payable *(Note 14)* | 700,000 | 700,000 |
| Due to related parties *(Note 10)* | 24,309 | 57,784 |
| | 982,992 | 1,021,039 |
| **Equity** | | |
| Common Share Capital and Reserves *(Note 9)* | 10,669,487 | 10,408,787 |
| Deficit | (3,772,096) | (3,586,978) |
| **Total Equity Attributed to Winston Resources Inc. Shareholders** | 6,897,391 | 6,821,809 |
| Non-controlling interests *(Note 17)* | - | - |
| **Total Equity** | 6,897,391 | 6,821,809 |
| | $ 7,880,383 | $ 7,842,848 |

Going concern *(Note 2)*
Contingency *(Note 14)*

Approved by the Board:

*/s/ Daniel Wettreich* Director

*/s/ Mark Wettreich* Director

*The accompanying notes are an integral part of these consolidated financial statements*

## Winston Resources Inc.
## Unaudited Interim Consolidated Statement of Comprehensive Loss
*(Expressed in Canadian Dollars)*

| | Nine months Ended April 30 | | Three months ended April 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Interest Revenue** | **$ 2,556** | $ 613 | **$ 103** | $ 346 |
| **Operating Expenses** | | | | |
| Transfer agent fees | **9,039** | 15,021 | **6,690** | 6,349 |
| Filing and listing fees | **18,853** | 57,922 | **3,350** | 30,666 |
| Shareholder information | **1,111** | 14,514 | **-** | 893 |
| Interest – property obligation (Note 14) | **12,500** | 85,601 | **-** | 49,072 |
| Professional fees | **83,398** | 100,140 | **40,303** | 80,583 |
| Office and general | **45,778** | 87,848 | **10,686** | 34,484 |
| Management fees (Note 10) | **-** | 198,000 | - | 66,000 |
| Share based compensation (Note 9) | **-** | 111,884 | **-** | 9,539 |
| | **170,679** | 670,930 | **61,029** | 277,586 |
| **Net loss for the period** | **168,123** | 670,317 | **60,926** | 277,240 |
| **Effects of loss of control** (Note 18) | **-** | (321,056) | **-** | (321,056) |
| **Equity loss on equity accounted investments** (Note 7) | **16,995** | 296,559 | **7,115** | 296,559 |
| **Net loss and comprehensive loss** | **$ 185,118** | $ 645,820 | **$ 68,041** | $ 252,743 |
| **Attributed to:** | | | | |
| Equity holders of Winston Resources Inc. | **185,118** | 643,718 | **68,041** | 250,064 |
| Non-controlling interests (Note 17) | **-** | 2,102 | **-** | 2,102 |
| | **185,118** | 645,820 | **68,041** | 252,743 |
| Loss per share attributed to equity holders of Winston Resources Inc. – basic and fully diluted | **$ (0.04)** | $ (0.01) | **$ (0.01)** | $ (0.00) |
| Weighted average number of shares outstanding | **5,060,039** | 3,242,770 | **5,060,039** | 3,242,770 |

*The accompanying notes are an integral part of these consolidated financial statements*

# Winston Resources Inc.
## Unaudited Interim Consolidated Statement of Changes in Equity
*(Expressed in Canadian Dollars)*

| | **Common Share Capital** | | **Reserves** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Number of Shares** | **Amount** | **Options** | **Warrants** | **Contributed Surplus** | **Common Share Capital and Reserves** | **Deficit** | **Non-Controlling Interests** | **Total** |
| Issued for cash: | | | | | | | | | |
| On incorporation- 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 9)* | 1,282,000 | 273,700 | - | - | - | 273,700 | - | - | 273,700 |
| Reverse acquisition *(Note 12)* | 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 |
| Share-based compensation | - | - | 13,100 | - | - | 13,100 | - | - | 13,100 |
| Net loss for the period | - | - | - | - | - | - | (1,188,903) | - | (1,188,903) |
| **Balance at July 31, 2012** | **64,524,484** | **$9,001,037** | **$ 13,100** | **$ 162,100** | **$ -** | **$ 9,176,237** | **$ (1,188,903)** | **$ -** | **$ 7,987,334** |
| Issued for cash: | | | | | | | | | |
| Private placements | 6,500,000 | 372,900 | - | 77,100 | - | 450,000 | - | - | 450,000 |
| Issued for non-cash consideration: | | | | | | | | | |
| Share-based compensation *(Note 9)* | - | - | 767,100 | - | - | 767,100 | - | - | 767,100 |
| Debt conversion *(Note 9)* | 54,500 | 5,450 | - | - | - | 5,450 | - | - | 5,450 |
| Cancellation of stock options *(Note 9)* | - | - | (139,300) | - | 139,300 | - | - | - | - |
| Cancellation of common shares*(Note 9)* | (1,200,000) | - | - | - | - | - | - | - | - |
| Distribution in kind *(Note 9)* | - | - | - | - | - | - | (608,900) | - | (608,900) |
| Expiration of stock options *(Note 9)* | - | - | (100) | - | 100 | - | - | - | - |
| Exercise of stock options *(Note 9)* | 200,000 | 12,700 | (2,700) | - | - | 10,000 | - | - | 10,000 |
| 1:20 share consolidation | (66,574,989) | | | | | - | | | - |
| Provided by non-controlling interests *(Note 17)* | - | - | - | - | - | - | - | 104,400 | 104,400 |
| Net loss for the year | - | - | - | - | - | - | (1,789,175) | (104,400) | (1,893,575) |
| Balance at July 31, 2013 | 3,503,995 | $9,392,087 | $ 638,100 | $ 239,200 | $ 139,400 | $ 10,408,787 | $ (3,586,978) | $ - | $ 6,821,809 |
| Common shares of Leo Resources Inc. received as dividend from Zara Resources Inc. *(Note 7)* | - | - | - | - | 116,700 | 116,700 | - | - | 116,700 |
| Issued on private placement *(Note 9)* | 1,440,000 | 72,000 | - | - | - | 72,000 | - | - | 72,000 |
| Warrants exercised *(Note 9)* | 1,440,000 | 72,000 | - | - | - | 72,000 | - | - | 72,000 |
| Net loss for the period | - | - | - | - | - | - | (185,118) | - | (185,118) |
| **Balance at April 30, 2014** | **6,383,995** | **$9,536,087** | **$ 647,695** | **$ 239,200** | **$ 256,100** | **$ 10,669,487** | **$ (3,772,096)** | **$ -** | **$ 6,897,391** |

*The accompanying notes are an integral part of these consolidated financial statements*

## Winston Resources Inc.

## Unaudited Interim Consolidated Statement of Cash Flows

*(Expressed in Canadian Dollars)*

| | Nine months Ended April 30 | | Three months ended April 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Operating Activities** | | | | |
| Net loss for the period | **$ (185,118)** | $ (645,820) | **$ (68,041)** | $ (252,743) |
| Adjustment to reconcile comprehensive loss to cash flow from operations: | | | | |
| Equity loss in equity accounted investments | **16,995** | 296,559 | **7,115** | 296,559 |
| Interest accretion on mining property purchase price payable | **-** | 79,351 | **-** | 17,907 |
| Effects of loss in control | **-** | (321,056) | **-** | (321,056) |
| Share based compensation | **-** | 111,884 | **-** | 9,539 |
| Net change in non-cash working capital items: | | | | |
| Prepaid expenses | **(3,189)** | (15,702) | **(2,210)** | (15,325) |
| Trade payables | **(4,572)** | 23,163 | **49,606** | 103,585 |
| HST recoverable | **56,915** | (28,721) | **27,266** | (13,757) |
| Cash Used in Operating Activities | **(118,969)** | (500,342) | **13,736** | (175,291) |
| **Financing Activities** | | | | |
| Issuance of common share on private placement | **72,000** | 450,000 | **-** | 200,000 |
| Exercise of warrants | **72,000** | - | **-** | - |
| Exercise of stock options | **-** | 10,000 | **-** | 10,000 |
| Due to related parties | **(33,475)** | 28,515 | **11,580** | 38,398 |
| Cash Used in Financing Activities | **110,525** | 488,515 | **11,580** | 248,398 |
| **Investing Activities** | | | | |
| Additions to exploration and evaluation assets | **-** | (7,421) | **-** | - |
| Advanced to investees under plans or arrangement (Note 15) | **-** | (200,000) | **-** | - |
| Cash Used in Investing Activities | **-** | (207,421) | **-** | - |
| (Decrease) in Cash | **(8,444)** | (219,248) | **25,316** | 73,107 |
| Cash at Beginning of Period | **54,152** | 549,654 | **20,392** | 257,299 |
| **Cash at End of Period** | **$ 45,708** | $ 330,406 | **$ 45,708** | $ 330,406 |

*The accompanying notes are an integral part of these consolidated financial statements*

## 1. Governing Statutes and Nature of Operations

### *Corporate*

Winston Resources Inc. ("Winston" or the "Company") is incorporated under the laws of the province of British Columbia. Winston is a development stage company engaged in the acquisition and exploration of mineral resource properties in Canada. The Company also invests in Canadian companies operating in the Canadian resource sector as well as a United States based company providing management services to Canadian based mineral exploration companies. Winston 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 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 newly incorporated and has recently acquired its first exploration and evaluation assets ("E&E"), as such active exploration has not commenced. It is unknown whether the E&E contain reserves that are economically recoverable. As a newly incorporated Company, that is commencing active operations; it incurs operating losses, which casts significant doubt about the Company's ability to continue as a going concern.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the E&E contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation assets. 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 E&E, and making the required payments pursuant to E&E share purchase agreements. The Company has yet to generate income and cash flows from its operations. There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop and bring to commercial production its E&E. The Company has no proven history of profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at April 30, 2014, the Company had yet to generate revenues from operations and had a deficit of $3,772,096. 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.

## 3. (a) Statement of Compliance

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

These financial statements were authorized for issuance by the Board of Directors of the Company on June 19, 2014.

### (b) Basis of Presentation

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

These interim financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

## 4. Significant Accounting Policies

These financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant:

***Principles of consolidation***
These consolidated financial statements include the accounts of the Company and its subsidiaries, 84.9% owned CNRP Mining Inc. ("CNRP"), a Canadian based mineral exploration company, and its 100% owned CNRP Dallas Inc. ("CNRP Dallas"), a Dallas, Texas based management services company. On consolidation, all intercompany transactions and balances were eliminated.

***Equity Method Investees***
Equity method investees are entities over which the Company has significant influence but not control. Generally, the Company has a shareholding of between 20% and 50% of the voting rights in its equity method investees. Investments in equity method investees are accounted for using the equity method. Zara Resources Inc. ("Zara"), and Zara's wholly-owned subsidiary Leo Resources Inc. ("Leo") and Hadley Mining Inc. ("Hadley") were subsidiaries of the Company until April 17, 2013 at which time the Company's former wholly-owned subsidiary GreenBank Capital Inc. ("GreenBank") acquired shares of Zara and Hadley from the Company under a plan of arrangement detailed in Note 16. At April 30, 2014, the Company's investment in common shares of Zara was 23.4%, the Company's investment in the common shares of Leo was 32.6%, and the Company's investment in common shares of Hadley was 40.7%. Accordingly each investee is accounted for using the equity method.

## 4. Significant Accounting Policies (Continued)

***Significant Estimates and Judgments***

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to impairment assessments of E&E and equity investments, recoverability of HST and the valuation of share-based payments. The most significant judgements relate to the use of the going concern assumption in the preparation of the financial statements, the recognition of deferred income tax assets and liabilities, and the determination of the economic viability of exploration and evaluation assets. The preparation of Winston's financial statements also includes significant judgement in assessing the fair value of the mineral properties purchase price payable.

***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.

***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, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing in the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

**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 profit 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 tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position. Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax 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 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.

## 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 Transactions***

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share based compensation reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

***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 common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are recognized in equity as reductions from the gross proceeds received from the issued shares.

**4. Significant Accounting Policies** (Continued)

***Financial instruments***

Fair value through profit or loss

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income or expense during the year.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transactions costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

***Financial instruments*** (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method is recognized in profit or loss.

Reversals of impairment losses are recognized in other comprehensive income; except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

**4. Significant Accounting Policies** (Continued)

Financial instruments recorded at fair value:
Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

***Loss Per Share***
Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. In the periods when the Company reports a net loss, the effect of potential issuances of common shares are anti-dilutive, therefore, basic and fully diluted loss per common share is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as the conversion of outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants and the conversion of preferred shares that are used to purchase common shares at the average market price during the period.

***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 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.

**4. Significant Accounting Policies** (Continued)

***Future Accounting Policies***

At the date of authorization of these Financial Statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting period.

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

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

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

## 5. Financial Risk Management

The Company has designated its cash at fair value through profit and loss. Trade payables and accrued liabilities, due to related parties, and mineral properties purchase payable are classified as other financial liabilities whereby they are initially recognized at fair value and then 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:

***Credit risk***
Credit risk is the risk of loss associated with a counter-party’s inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. The Company’s assets most susceptible to credit risk is its cash, which is held at a major Canadian bank in a non-interest bearing account, HST recoverable, which is due from the Canadian government, as well as the related party receivables. As such, the risk of loss on these assets is minimal.

***Market risk***
Market risk is the risk of uncertainty arising primarily from precious metals and 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.

***(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. As at April 30, 2014, the Company had, at its disposal, $45,708 in cash. During the next twelve months the Company is due to make significant payments to third parties relating to the acquisition of the Elmtree property 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.

***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.

## 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. Equity Investments

| | **April 30, 2014** | | July 31, 2013 | |
|---|---|---|---|---|
| *Zara* | | | | |
| Common shares (23.4%) | **$** | **-** | $ | 143,400 |
| Share of equity loss recognized | | **-** | | (143,400) |
| | | **-** | | - |
| *Hadley* | | | | |
| Common shares (40.7%) | **$** | **-** | $ | 176,800 |
| Share of equity loss recognized | | **-** | | (176,800) |
| | | **-** | | - |
| *Leo* | | | | |
| Common shares (32.6%) | **$** | **116,700** | $ | - |
| Share of equity loss recognized | | **(16,995)** | | - |
| | | **99,705** | | - |
| | **$** | **99,705** | $ | - |

***(Expressed in Canadian Dollars)***

## 7. Equity Investments (Continued)

At April 30, 2014, the Company's accumulated share of Zara's equity loss was $519,653 and its accumulated share of Hadley's equity loss was $324,691. However, these losses exceeded the carrying amount of the initial investments in Zara and Hadley of $143,400 and $176,800, respectively, and accordingly, Winston recognized no further losses beyond these carrying amounts. If Zara and Hadley subsequently report profits, the Company will resume recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

During the period ended April 30, 2014, Winston received a dividend in kind of 4,479,511 common shares of Leo from Zara at a value of $116,700 under a plan of arrangement between Leo and Zara. The credit has been accounted for as contributed surplus because the book value of the Company's investment in Zara was already $Nil at July 31, 2013.

The following is financial summary of each equity investment at April 30, 2014:

| | Zara | Hadley | Leo |
|---|---|---|---|
| Current assets | $ 60,422 | $ 39,075 | $ 49,880 |
| Non-current assets | 897,902 | 32,011 | 358,000 |
| Current liabilities | 520,447 | 84,467 | 12,221 |
| Loss and comprehensive loss – nine months ended April 30, 2014 | 1,113,642 | 329,099 | 52,131 |

## 8. Exploration and Evaluation Assets

| | Balance at July 31, 2013 | Property Acquisition Costs | Exploration Expenditures | Disposals | Balance at April 30, 2014 |
|---|---|---|---|---|---|
| **New Brunswick** | | | | | |
| Elmtree | 7,703,760 | - | - | - | 7,703,760 |
| | $ 7,703,760 | $ - | $ - | $ - | $ 7,703,760 |

| | Balance at July 31, 2012 | Property Acquisition Costs | Exploration Expenditures | Disposals | Deconsolidation | Balance at July 31, 2013 |
|---|---|---|---|---|---|---|
| **Ontario** | | | | | | |
| Riverbank and Broke Back | $ 300,000 | - | - | (300,000) | - | $ - |
| Etamame | 334,700 | - | - | - | (334,700) | - |
| **New Brunswick** | | | | | | |
| Elmtree | 7,702,945 | 815 | - | - | - | 7,703,760 |
| | $ 8,337,645 | $ 815 | $ - | $ (300,000) | $ (334,700) | $ 7,703,760 |

**8. Exploration and Evaluation Assets** (Continued)

***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.

Pursuant to an agreement dated October 12, 2012, Zara entered into purchase and assignment agreement with CNRP. 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. In consideration for the assignment of the Agreement, Zara agreed to issue 25 million common shares to CNRP's parent company, Winston Resources Inc. ("Winston"). In exchange of these shares, the Company would pay Zara $100,000 cash and CNRP would assign the Option Agreement to the Company. During fiscal 2013, the Company made the $100,000 cash payment and Zara had issued the 25.0 million shares.

***Etamame***

Etamame consisted of 10 claim blocks totaling 142 claim units that have not previously been drilled. The Company acquired 100% of Hadley in July 2012, which owns 100% of the Etamame Lake Nickel Project located in the Lingman Lake Greenstone belt area about 38 kilometers south-west of Sachigo Lake in Northwestern Ontario. It also acquired a geophysical airborne survey (the "Airborne Survey") carried out over Etamame. During the period ended April 30, 2014, 9 of the 10 claim blocks were not renewed.

Effective April 17, 2013, Hadley (who owns the property) was no longer a subsidiary under a plan of arrangement (Note 16). Accordingly, Etamame was deconsolidated from exploration and evaluation assets at July 31, 2013.

***Elmtree***

The Elmtree Gold Project is owned 100% by the Company's subsidiary CNRP and 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. CNRP 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.

CNRP agreed to pay Castle 5,016,155 (post-consolidation) common shares, $500,000 in cash, $250,000 of which is payable on the date that is six months from closing with the balance of $250,000 payable twelve months from closing. CNRP also granted 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. CNRP agreed to pay Stratabound 2,786,753 (post-consolidation) common shares, $300,000 in cash, $100,000 of which was payable on the date of closing, $100,000 payable six months from closing, and $100,000 payable twelve months from closing.

***(Expressed in Canadian Dollars)***

## 9. Share Capital

The Company's authorized share capital includes:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares without special rights or restrictions attached.

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**Common**

| | Number of shares | | Amount |
|---|---|---|---|
| ***Common shares issued for cash*** | | | |
| Upon incorporation | 11,972,484 | $ | 50 |
| Private placement - July 2012 | 1,250,000 | | 250,000 |
| Private placement - July 2012 | 500,000 | | 100,000 |
| ***Common shares issued for non-cash*** | | | |
| 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 |
| ***Costs of issuance*** | | | |
| Broker commission paid in cash | | | (8,500) |
| Fair value of warrants issued | | | (143,100) |
| Fair value of broker's shares issued | | | (20,000) |
| **Balance – July 31, 2012** | 64,524,484 | | 9,001,037 |
| Common shares cancelled | (1,200,000) | | - |
| Common shares issued on debt conversion | 54,600 | | 5,450 |
| ***Common shares issued for cash*** | | | |
| Private placement – January 2013 | 2,500,000 | | 250,000 |
| Private placement – April 30, 2013 | 4,000,000 | | 200,000 |
| Stock options exercised | 200,000 | | 12,700 |
| ***1:20 share consolidation*** | (66,574,989) | | |
| ***Costs of issuance*** | | | |
| Fair value of warrants issued | | | (77,100) |
| **Balance July 31, 2013 and October 31, 2013** | **3,503,995** | **$** | **9,392,087** |
| Private placement – November 2013 | 1,440,000 | | 72,000 |
| Warrants exercised – January 2014 | 1,440,000 | | 72,000 |
| **Balance April 30, 2014** | **6,383,995** | **$** | **9,536,087** |

**9. Share Capital** (continued)

On April 15, 2013, the Company's shareholders approved the creation of $1 non-voting preferred shares. On April 25, 2013, the directors approved a 1 for 20 consolidation of its then 70,078,984 issued and outstanding common shares into 3,503,995 new common shares without par value effective May 15, 2013.

***Private Placements***

On June 22, 2012, the Company completed a private placement with Euro Pacific through the issuance of 32,000 common shares at $5.00 per share for gross proceeds of $160,000. In connection with the private placement, 21,700 broker compensation warrants with a value of $100 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 62,500 common shares at $4.00 per share for gross proceeds of $250,000. In additional, 62,500 warrants were issued at a fair value of $111,000.

On July 25, 2012, the Company completed a private placement through the issuance of 25,000 common shares at $4.00 per share for gross proceeds of $100,000. In addition, 25,000 warrants were issued at a fair value of $32,000.

On January 28, 2013, the Company completed a private placement through the issuance of 125,000 units at $0.10 per unit for gross proceeds of $250,000. Each unit consisted of one common share plus one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share for $0.20. These warrants expire on January 28, 2015. In addition, 125,000 warrants were issued at a fair value of $77,100.

The fair value of the warrants issued $77,100, which has been allocated to the warrants reserve.. Fair value was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, forfeiture rate 0%, volatility of 105%, risk free rate of return of 1.15%, and an expected life of two years.

On April 28, 2013, the Company completed a private placement through the issuance of 200,000 common shares at $1.00 per share for gross proceeds of $200,000.

On November 6, 2013, the Company completed a private placement with a director through the issuance of 1,440,000 common shares and 1,440,000 warrants to purchase common shares at $0.05 per unit for gross proceeds of $72,000. The warrants were exercisable at $0.05 and on January 1, 2014, the 1,440,000 warrants were exercised for further gross proceeds of $72,000.

***(Expressed in Canadian Dollars)***

## 9. Share Capital (continued)

### *Warrants*

The issued and outstanding warrants balance at April 30, 2014 is comprised as follows:

| Date of Expiry | Description | Fair Value | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|---|---|
| June 22, 2014 | Broker Warrants | $ 100 | 21,700 | $ 5.00 |
| June 27, 2014 | Purchase Warrants | 9,000 | 5,000 | 5.00 |
| July 16, 2014 | Subscriber Warrants | 111,000 | 62,500 | 6.00 |
| July 20, 2014 | Purchase Warrants | 10,000 | 100,000 | 6.00 |
| July 25, 2014 | Subscriber Warrants | 32,000 | 25,000 | 6.00 |
| January 28, 2015 | Subscriber Warrants | 77,100 | 125,000 | 4.00 |
| | | **$239,200** | **339,200** | |

### *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.

The following table summarizes the activity in the Plan over the period.

| | Fair Value | Number of Options | Weighted Average Exercise Price |
|---|---|---|---|
| **Outstanding, July 31, 2012** | $ 13,100 | 210,000 | $ 5.00 |
| Granted | 123,984 | 647,500 | 0.56 |
| Granted (CNRP) | 626,000 | 1,400,000 | 0.60 |
| Cancelled | (122,184) | (467,500) | (2.65) |
| Exercised | (2,700) | (10,000) | (1.00) |
| Expired | (100) | (30,000) | (5.00) |
| **Outstanding, July 31, 2013 and April 30, 2014** | **$638,100** | **1,750,000** | **$ 0.49** |
| **Exercisable, July 31, 2013 and April 30, 2014** | **$638,100** | **1,750,000** | **$ 0.49** |

The following table sets out the details of the stock options granted and outstanding as at April 30, 2014:

| Number of stock options | | Remaining contractual life | Exercise price per share | Expiry Date |
|---|---|---|---|---|
| 1,150,000 | (CNRP) | 4.08 years | $0.60 | May 30, 2018 |
| 250,000 | (CNRP) | 1.08 years | 0.60 | May 30, 2015 |
| 200,000 | | 4.17 years | 0.05 | July 1, 2018 |
| 150,000 | | 1.17 years | 0.05 | July 1, 2015 |
| **1,750,000** | | **3.41 years** | **$0.49** | |

***(Expressed in Canadian Dollars)***

**9. Share Capital** (continued)

***Share-based compensation***

The fair value of the stock options granted and fully vested for the nine months ended April 30, 2014 was $Nil (2013 - $111,884) which has been expensed as share-based compensation in the statement of operations. The 2013 fair value was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0%, forfeiture rate 0%, volatility ranging from 105% risk free rate of 1.10%, and an executed life of 2 years. At April 30, 2014, there were 1,750,000 vested options.

***Contributed surplus***

A summary of the changes in the Company's contributed surplus is set out below:

| | **April 30, 2014** | July 31, 2013 |
|---|---|---|
| Balance – Beginning of period | **$ 139.400** | $ - |
| Cancellation of stock options | **-** | 139,300 |
| Expiration of stock options | **-** | 100 |
| Common shares of Leo Resources Inc. received as dividend in kind from Zara Resources Inc. *(Note 7)* | **116,700** | - |
| Balance – End of period | **$ 256,100** | 139,400 |

***Distributions in Kind***

In December 2012, pursuant to plans of arrangement as detailed in Note 16, the Company declared a distribution of 2,580,979 common shares of Hadley at a value of $44,900 and 2,580,979 common shares of Zara at a value of $41,200. The distributions were on a pro rata basis whereby one share of each of Hadley and Zara were issued for every twenty five shares (pre-consolidation) of the Company held.

In April 2013, pursuant to a plan of arrangement as detailed in Note 16, the Company declared a distribution of 2,064,982 common shares of CNRP at a value of $94,400. The distribution was on a pro rata basis whereby one share of CNRP was issued for every thirty two shares (pre-consolidation) of the Company held.

In April 2013, pursuant to a plan of arrangement as detailed in Note 16, the Company declared a distribution of 25,710,000 common shares of GreenBank Capital Inc. ("GreenBank') at a value of $428,400. The distribution was on a pro rata basis whereby one share of GreenBank was issued for every 2.567 shares (pre-consolidation) of the Company held.

***Cancellation of Common Shares***

In December 2012, Green Swan Capital Corp. advised the Company that it has not spent $235,000 in exploration expenditures as required pursuant to the June 2012 Riverbank and Brokeback purchase agreement. Accordingly, the 60,000 common shares issued by the Company to Green Swan as partial consideration were cancelled and are no longer outstanding.

***Conversion of Debt into Common Shares***

In December 2012, the Company effected a conversion of $5,450 in debt into common shares in the Company at a price of $2.00 per common share. The conversion resulted in the issue of 2,725 common shares of the Company.

***(Expressed in Canadian Dollars)***

## 10. 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. The amount due to related parties at April 30, 2014 in the amount of $24,309 (July 31, 2013 - $57,784) represents a payable to a director in the amount of $3,907 (July 31, 2013 - $59,374), a payable to related company Hadley of $23,424 (July 31, 2013 - $710), a payable to related company Zara of $629 (July 31, 2013 - $Nil), a payable to related company Leo of $11,405 (July 31, 2103 - $Nil), and a receivable from related company GreenBank of $15,056 (July 31, 2013 - $2,300). The amounts are payable on demand and are interest-free.

For the nine months ended April 30, 2014, the Company incurred management fees expenses of $Nil (2013 - $198,000) to a private company controlled by an officer, for the provision of management services. As at April 30, 2014, the amount of $94,180 (July 31, 2013 - $203,080) was owed thereto and has been included in trade payables and accrued liabilities.

## 11. Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates, as well as the United States federal and state income tax rates, with the Company's effective tax rate is as follows:

| | **April 30, 2014** | April 30, 2013 |
|---|---|---|
| Loss before income taxes | **$ (168,123)** | $ (670,317) |
| Combined statutory rate | **26.50%** | 26.50% |
| | **(45,000)** | (178,000) |
| Share-based compensation | **-** | 30,000 |
| Interest accretion | **-** | 21,000 |
| Benefit of losses (not recognized) | **45,000** | 127,000 |
| | **$ -** | $ - |

### *Deferred income tax assets*

The tax effects of temporary differences that give rise to significant portions of future tax assets are as follows:

| | **April 30, 2014** | July 31, 2013 |
|---|---|---|
| Non-capital losses | **$ 224,000** | $ 179,000 |
| Less: valuation allowance | **(224,000)** | (179,000) |
| | **$ -** | $ - |

As at April 30, 2014, the Company has Canadian non-capital losses of approximately $846,000 (July 31, 2013 - $678,000) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

| | |
|---|---|
| 2032 | $ 32,000 |
| 2033 | 646,000 |
| 2034 | 168,000 |
| | $ 846,000 |

***(Expressed in Canadian Dollars)***

## 12. 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 (pre-consolidation). 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.

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 |
| **Excess of consideration paid over deficiency in assets acquired** | **$** | **560,051** |

The excess of consideration paid over deficiency in assets acquired was charged to the statement of comprehensive loss as a listing fee expense.

## 13. Acquisition of Hadley Mining Inc.

On June 28, 2012, the Company acquired 100% of the outstanding common shares of Hadley Mining Inc. ("Hadley") in exchange for 32,500 post-consolidation 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 8). 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 |
| **Excess of consideration paid over net assets acquired** | **$** | **14,590** |

The excess of consideration paid over net assets acquired was allocated to the exploration and evaluation asset at the acquisition date.

***(Expressed in Canadian Dollars)***

## 14. Mineral Properties Purchase Price Payable

During fiscal 2012, the Company entered into agreements to acquire a mineral exploration property. Under the terms of these agreements, CNRP is required to pay a portion of the purchase price over a period of twelve months from the dates of acquisition. $350,000 of which is payable on the date which is six months from completion of the reverse takeover transaction and the balance of $350,000 payable on the date that is twelve months from completion.

On January 24, 2013, CNRP agreed with Castle and Stratabound to amend their respective agreements to postpone the partial payments of $250,000 to Castle and $100,000 to Stratabound to June 22, 2013. The payments due on June 22, 2013 were not made. As a result of the extension to June 22, 2013, CNRP agreed to pay $5,000 interest to Stratabound and $12,500 interest to Castle. As a result of not meeting the June 22, 2013 extension, CNRP agreed to monthly interest payments to Castle of $4,167 on its $500,000 obligation commencing in July 2013. Effective November 1, 2013, CNRP suspended its $4,167 monthly payment to Castle and accordingly no further interest payments will be made. Currently, the Stratabound obligation of $200,000 is interest free. During the period ended April 30, 2014, the Company recognized $12,500 (2013 - $85,601) interest expense on the property obligations.

A summary of this obligation is as follows:

| | **April 30, 2014** | July 31, 2013 |
|---|---|---|
| Face value of purchase price payable | **700,000** | 700,000 |
| Less: Imputed interest at 22% per annum | **-** | - |
| Fair value of purchase price payable | **700,000** | 700,000 |

## 15. Contingency

***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, has made a counter claim and will defend itself vigorously.

## 16. Plans of Arrangement

(i) On October 12, 2012, Hadley entered into a Plan of Arrangement (the "Hadley Plan") to acquire certain assets from Winston, its parent company at the time. The assets transferred under the Hadley 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 in the amount of $198,200, 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 Hadley Plan, Hadley issued 25.0 million common shares to Winston in exchange for these assets. Of the Hadley shares issued, 2,580,979 shares were immediately transferred to Winston's shareholders as a distribution. Upon completion of the Hadley Plan, Hadley became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and was listed on the CNSX under the symbol "HM."

(ii) On October 12, 2012, Zara Resources Inc. ("Zara"), which was incorporated in October 2012 as a subsidiary of Winston, entered into a Plan of Arrangement (the "Zara Plan") and acquired certain assets from Winston. Under the terms of the Zara Plan, Zara issued 25.0 million common shares to Winston in exchange for $100,000 cash plus the Riverbank and Brokeback property described in note 7. Of the Zara shares issued, 2,580,979 shares were immediately transferred to Winston's shareholders as a distribution. Upon completion of the Zara Plan, Zara became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and was listed on the CNSX under the symbol "ZRI."

All costs and expenses of the transactions under the Zara Plan, including legal, financial advisory, regulatory, printing and mailing costs, were paid and borne by Winston.

(iii) On February 19, 2013 Winston announced that its board of directors had unanimously approved a proposal to spin off to its shareholders approximately 15% of CNRP. Following the spin-off, CNRP applied for listing of its common shares on the CNSX. The spin-off was transacted by way of a statutory plan of arrangement (the "CNRP Plan") under the Business Corporations Act (British Columbia). Pursuant to the terms of the CNRP Plan, Winston distributed 2,064,982 of the outstanding 14,000,000 common shares of CNRP to holders of common shares of Winston such that each Winston shareholder of record on the effective date of the CNRP Plan received one common share in the capital of CNRP for every thirty-two common shares in the capital of Winston. A special meeting of Winston shareholders was held on April 15, 2013 at which the shareholders voted and approved the CNRP Plan. Court approval was also obtained and spin-off was completed shortly thereafter. On April 17, 2013, CNRP announced its common shares were now listed on the CNSX under the symbol "CND".

All costs and expenses of the transactions under the CNRP Plan, including legal, financial advisory, regulatory, printing and mailing costs, were paid and borne by Winston.

***(Expressed in Canadian Dollars)***

## 16. Plans of Arrangement (continued)

(iv)On February 8, 2013, GreenBank Capital Inc. ("GreenBank") entered into a Plan of Arrangement (the "GreenBank Plan") and acquired certain assets from Winston, its parent company. Under the terms of the GreenBank Plan, GreenBank issued 25,710,000 common shares to Winston in exchange for 13,460,000 common shares of Zara Resources Inc. and 12,250,000 common shares of Hadley Mining Inc. In addition, the Winston board of directors approved a spinoff to its shareholders 100% of its wholly-owned subsidiary GreenBank. The GreenBank common shares were transferred to Winston shareholders at the rate of one GreenBank share for every 2.567 Winston shares.

A special meeting of Winston shareholders was held on April 15, 2013 at which the shareholders voted and approved the GreenBank Plan. Court approval was also obtained and spin-off was completed shortly thereafter. Greenbank is no longer a subsidiary of Winston. On April 17, 2013, GreenBank announced its common shares were now listed on the CNSX under the symbol "GBC".

All costs and expenses of the transactions under the GreenBank Plan, including legal, financial advisory, regulatory, printing and mailing costs, were paid and borne by Winston.

The GreenBank plan of arrangement resulted in Zara and Hadley no longer being subsidiaries of Winston.

## 17. Non-Controlling Interests

| | | **CNRP Mining Inc.** |
|---|---|---|
| Balance – July 31, 2012 | $ | - |
| Share of net loss | | (104,400) |
| Contributions | | 104,400 |
| Balance – July 31, 2013 and April 30, 2014 | $ | - |

The cumulative non-controlling interest in the net losses for CNRP through April 30, 2014 was $118,917. However, since that amount exceeds the contribution of $104,400, the Company has recognized no further net loss beyond the contribution amount. If CNRP subsequently reports profits, the Company will resume allocating a non-controlling interest in those profits only after its share of the profit equals the share of the losses not recognized.

## 18. Effects of Loss of Control

Pursuant to plans of arrangement as detailed in Note 16, the Company no longer consolidated its investments in Zara and Hadley effective April 17, 2013.

The effects of the loss of control on the financial statements in the April 30, 2013 comparatives are as follows:

| | | |
|---|---|---|
| Management fees | $ | (21,000) |
| Share-based compensation | | (276,600) |
| Transfer agent fees | | (5,540) |
| Filing and listing fees | | (7,766) |
| Write-off of exploration and evaluation asset | | (10,000) |
| Office and general | | (150) |
| | $ | (321,056) |