

**Winston Gold Mining Corp.**  
**(Formerly 6649930 Manitoba Ltd.)**

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**(unaudited)**

**For the Three Months ended March 31, 2016 and 2015**

## **Notice to Reader**

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

The accompanying unaudited condensed interim consolidated 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 unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

Winston Gold Mining Corp.  
(An Exploration Stage Company)  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)  
(unaudited)

<b>As at</b>	<b>March 31, 2016</b>	December 31, 2015
<b>Assets</b>		
Current assets		
Cash	\$ 346,656	\$ 1,909
Prepaid expenses and deposits (Note 4)	32,468	27,865
<b>Total current assets</b>	<b>379,124</b>	29,774
Non-current assets		
Deferred share issuance costs	-	44,766
Reclamation bonds (Note 6)	16,493	13,985
<b>Total Assets</b>	<b>\$ 395,617</b>	<b>\$ 88,525</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Notes 11,12,14)	333,603	336,199
Non-current liabilities		
Due to directors (Notes 5,12)	75,385	77,837
Restoration liabilities (Note 6)	16,493	13,985
<b>Total Liabilities</b>	<b>425,481</b>	428,021
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 8)	1,099,145	759,802
Share purchase warrants (Note 9)	53,872	-
Deficit	(1,182,881)	(1,099,298)
<b>Total Shareholders' Equity (Deficiency)</b>	<b>(29,864)</b>	<b>(339,496)</b>
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>	<b>\$ 395,617</b>	<b>\$ 88,525</b>

*Nature of operations and going concern (Note 1)*

*Commitments (Note 15)*

*Subsequent events (Note 16)*

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

Approved by The Board of Directors on May 25, 2016

"Murray Nye"

Director

"Max Polinsky"

Director

Winston Gold Mining Corp.  
(An Exploration Stage Company)  
**Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss**  
**For the three months ended March 31, 2016 and 2015**  
(Expressed in Canadian Dollars)  
(unaudited)

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Expenses</b>		
Office and administrative costs	\$ 26,060	\$ 26,530
Exploration and evaluation expenses (Notes 10,12)	22,729	24,146
Professional fees	40,538	16,304
Travel	1,414	1,896
Loss (gain) on foreign exchange	(7,158)	15,369
<b>Net loss and comprehensive loss for the period</b>	<b>(83,583)</b>	<b>(84,245)</b>
<b>Basic and diluted earnings per share</b>	<b>\$(0.004)</b>	<b>\$(0.004)</b>
<b>Weighted average number of common shares outstanding</b>		
<b>Basic and diluted</b>	<b>21,310,589</b>	<b>19,530,822</b>

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

Winston Gold Mining Corp.  
(An Exploration Stage Company)  
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)  
As at March 31, 2016  
(Expressed in Canadian Dollars)  
(unaudited)

	Number of Shares	Share Capital	Share Purchase Warrants	Share Subscriptions Received	Deficit	Total
	(Note 8)	(Note 8)	(Note 9)			
<b>Balance, December 31, 2014</b>	<b>18,470,100</b>	<b>537,502</b>	<b>-</b>	<b>80,000</b>	<b>(815,412)</b>	<b>(197,910)</b>
Shares issued for cash	1,350,000	135,000	-	-	-	135,000
Share subscriptions settled (Notes 7, 8)	800,000	80,000	-	(80,000)	-	-
Shares issued for Broker compensation (Note 8)	27,000	2,700	-	-	-	2,700
Share issue costs (Note 8)	-	(5,400)	-	-	-	(5,400)
Net loss and comprehensive loss for the period	-	-	-	-	(84,245)	(84,245)
<b>Balance, March 31, 2015</b>	<b>20,647,100</b>	<b>749,802</b>	<b>-</b>	<b>-</b>	<b>(899,657)</b>	<b>(149,855)</b>
Shares issued for cash	100,000	10,000	-	-	-	10,000
Net loss and comprehensive loss for the period	-	-	-	-	(199,641)	(199,641)
<b>Balance, December 31, 2015</b>	<b>20,747,100</b>	<b>759,802</b>	<b>-</b>	<b>-</b>	<b>(1,099,298)</b>	<b>(339,496)</b>
Shares issued for cash	5,697,500	569,750	-	-	-	569,750
Warrants issued for broker compensation (Notes 8, 9)	-	(53,872)	53,872	-	-	-
Share issue costs (Note 8)	-	(176,535)	-	-	-	(176,535)
Net loss and comprehensive loss for the period	-	-	-	-	(83,583)	(83,583)
<b>Balance, March 31, 2016</b>	<b>26,444,600</b>	<b>1,099,145</b>	<b>53,872</b>	<b>-</b>	<b>(1,182,881)</b>	<b>(29,864)</b>

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

Winston Gold Mining Corp.  
(An Exploration Stage Company)  
**Condensed Interim Consolidated Statements of Cash flows**  
**For the three months ended March 31, 2016 and 2015**  
(Expressed in Canadian Dollars)  
(unaudited)

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Net loss and comprehensive loss for the year	\$ (83,583)	\$ (84,245)
Net changes in non-cash working capital items:		
Amounts receivable	-	2,500
Prepaid expenses and deposits	(4,603)	(18,712)
Accounts payable and accrued liabilities	(5,048)	(36,323)
<b>Net cash used in operating activities</b>	<b>(93,234)</b>	<b>(136,780)</b>
<b>Financing Activities</b>		
Proceeds from share issuances	524,984	135,000
Deferred share issuance costs	44,766	-
Share issuance costs	(131,769)	(2,700)
<b>Net cash provided by financing activities</b>	<b>437,981</b>	<b>132,300</b>
<b>Net change in cash</b>	<b>344,747</b>	<b>(4,480)</b>
<b>Cash, beginning of period</b>	<b>1,909</b>	<b>26,368</b>
<b>Cash, end of period</b>	<b>\$ 346,656</b>	<b>\$ 21,888</b>

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

# **Winston Gold Mining Corp.**

(An Exploration Stage Company)

## **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2016 and 2015**

(Expressed in Canadian Dollars)

(unaudited)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Winston Gold Mining Corp. (the "Company") was incorporated in the Province of Manitoba on January 31, 2013 under the name of 6649930 Manitoba Ltd. On September 19, 2014, the Company changed its name to Winston Gold Mining Corp. On September 25, 2014, Winston Gold Mining USA Corp. was incorporated in the State of Montana, USA. Winston Gold Mining USA Corp. is a wholly owned subsidiary of the Company. On March 23, 2016, the common shares of the Company were approved for listing on the Canadian Securities Exchange (CSE) under the symbol WGC. The shares are deemed to be listed on March 22, 2016 and trading commenced on March 29, 2016. The Company is in the process of exploring mining claims which are under lease and has not yet determined whether or not the leased properties will contain economically recoverable reserves.

The principal address of the Company is 919 Notre Dame Avenue, Suite 201, Winnipeg, Manitoba R3E 0M8.

The unaudited condensed interim consolidated financial statements of the Company were approved by the Board of Directors on May 25, 2016.

#### **Going Concern of Operations**

While these financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends on its ability to raise adequate financing and to develop profitable operations.

The Company is in the exploration stage and has not generated revenue from operations. During the three months ended March 31, 2016, the Company incurred a net loss of \$83,583 (December 31, 2015 - \$283,886), and as of that date, the Company had a deficit of \$1,182,881 (December 31, 2015 - \$1,099,298), working capital of \$45,521 (December 31, 2015 - deficiency of \$306,425) and negative cash flow from operations of \$93,234 (2015 - \$160,036).

The Company's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable production and on being able to make payments required under the mining lease agreements. The Company continues to evaluate various options in order to address its financing needs. There can be no assurance that the Company's financing activities will be successful or sufficient.

These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate. Such adjustments could be material.

### **2. BASIS OF PREPARATION**

#### **Statement of Compliance**

These unaudited condensed interim consolidated financial statements of the Company present the Company's financial results of operations and financial position under IFRS as at and for the three month period ended March 31, 2016.

## **Winston Gold Mining Corp.**

(An Exploration Stage Company)

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2016 and 2015**

(Expressed in Canadian Dollars)

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## **2. BASIS OF PREPARATION (cont'd)**

### **Statement of Compliance (cont'd)**

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee.

A summary of the Company's significant accounting policies under IFRS are consistent with those of the Company's consolidated financial statements for the year ended December 31, 2015. Refer to those consolidated financial statements for significant accounting policies and recent accounting pronouncements. These policies have been consistently applied to all periods presented.

### **Basis of Measurement**

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars which is also the Company's and the subsidiary's functional currency.

The unaudited condensed interim consolidated financial statements are prepared on the historical cost basis except for financial instruments classified at fair value through profit and loss ("FVTPL") which are stated at their fair value.

### **Basis of Consolidation**

The unaudited condensed interim consolidated financial statements at March 31, 2016 include the accounts of the Company and its wholly-owned subsidiary, Winston Gold Mining USA Corp. ("Winston-US"), which was incorporated in Montana, U.S.A. and carries out the exploration activities in Montana, U.S.A. The financial statements of the subsidiary are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany transactions and balances are eliminated on consolidation.

### **Deferred Share Issuance Costs**

Deferred share issuance costs relate directly to the issuance of shares by the Company, as disclosed in Note 8. Upon successful completion of the initial public offering on March 23, 2016, the costs were charged against capital stock.

### **Use of estimates and judgments**

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## **Winston Gold Mining Corp.**

(An Exploration Stage Company)

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2016 and 2015**

(Expressed in Canadian Dollars)

(unaudited)

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## **2. BASIS OF PREPARATION (cont'd)**

### **Use of estimates and judgments (cont'd)**

Information regarding significant areas of estimation, uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are the following:

#### Share-based payments

Judgment is applied in determining the share price to be assigned to shares issued to enter into mining lease agreements.

#### Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the probability that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

#### Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiary is the Canadian dollar.

Other significant accounting estimates include the amounts accrued for restoration liabilities.

## **3. RECENT ACCOUNTING POLICY**

### **Warrants issued in equity financing transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement, the Warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are parts of units are assigned a fair value based on the Black-Scholes option pricing model. The fair value of the warrant component of a unit is credited to share purchase warrants and the relative value of the common shares that were concurrently issued is credited to share capital. Warrants that are issued as payment for broker or agency fees are accounted for as share issue costs.

## Winston Gold Mining Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

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#### 4. PREPAID EXPENSES AND DEPOSITS

	<b>March 31,</b>	December 31,
	<b>2016</b>	2015
Prepaid Expenses	\$ -	\$ 900
Deposits	\$ <u>32,468</u>	\$ <u>26,965</u>
<b>Total prepaid expenses and deposits</b>	<b>\$ <u>32,468</u></b>	<b>\$ <u>27,865</u></b>

#### 5. DUE TO DIRECTORS

Amounts due to directors are non-interest bearing, unsecured and the directors do not intend to require repayment within the next 12 months.

During the three months ended March 31, 2016, the Company's director loans were revalued to \$75,385 (a reduction of \$2,452) reflecting the change in US exchange on director loans in US funds. No additional funds were received. During the year ended December 31, 2015, the Company received \$77,837 in director loans. The directors do not intend to require repayment within the next 12 months.

#### 6. RESTORATION LIABILITIES AND RECLAMATION BONDS

As at March 31, 2016, management estimated site restoration costs relating to evaluation work completed on the exploration of the Winston property to be \$16,493 (\$12,700 US) (December 31, 2015 - \$13,985 (\$12,700US)) which has been accrued. These costs are estimated by management and approved by the Montana Department of Environmental Quality ("DEQ"). The Company is required to issue reclamation bonds to the DEQ to cover these estimated restoration costs.

The reclamation bonds issued relating to this exploration amount to \$16,493 (\$12,700 US) (December 31, 2015 - \$13,985 (\$12,700US)). The reclamation bonds will be returned to the Company upon the DEQ being satisfied with the site restoration work performed.

#### 7. SHARE SUBSCRIPTIONS

During the three months ended March 31, 2016, the Company received \$Nil (2015 - \$Nil) for Class A Common shares to be issued.

During the year ended December 31, 2014, the Company received \$80,000 for Class A Common shares to be issued at a value of \$0.10 each. 700,000 of the shares due as at December 31, 2014 were issued on February 11, 2015. 100,000 of the shares due as at December 31, 2014 were issued on March 30, 2015 (Note 8).

## Winston Gold Mining Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

(unaudited)

## 8. SHARE CAPITAL

### Authorized

Unlimited Class A Common shares, voting

Unlimited Class B Common shares, non-voting

Unlimited Class A Preference shares, voting, redeemable

Unlimited Class B Preference shares, non-voting, redeemable

Unlimited Class C Preference shares, non-voting, redeemable

### Issued and outstanding – Class A Common shares

	Number of Shares		Value
<b>Balance, December 31, 2014</b>	<b>18,470,100</b>	<b>\$</b>	<b>537,502</b>
Shares issued for cash <sup>(a-d)</sup>	2,250,000		225,000
Broker shares issued <sup>(b)</sup>	27,000		2,700
Share issue costs <sup>(b)</sup>	-		(5,400)
<b>Balance, December 31, 2015</b>	<b>20,747,100</b>	<b>\$</b>	<b>759,802</b>
Shares issued for cash <sup>(e)</sup>	5,697,500		569,750
Share issue costs <sup>(f)</sup>			(230,407)
<b>Balance, March 31, 2016</b>	<b>26,444,600</b>	<b>\$</b>	<b>1,099,145</b>

### December 31, 2015:

- On February 11, 2015 the Company issued 1,730,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$173,000. 700,000 of these shares were in settlement of share subscriptions received as at December 31, 2014 (Note 7).
- On February 25, 2015, the Company issued 270,000 Class A common shares at a subscription price of \$0.10 for each common share for gross proceeds of \$27,000. As part of the financing, the broker received, for no cash consideration, 27,000 Class A common shares valued at \$0.10 per share. In addition, broker fees in the amount of \$2,700 were paid by the Company.
- On March 30, 2015, the Company issued 150,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$15,000. 100,000 of these shares were in settlement of subscriptions received as at December 31, 2014 (Note 7).
- On April 15, 2015, the Company issued 100,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$10,000.

## Winston Gold Mining Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

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#### 8. SHARE CAPITAL (cont'd)

March 31, 2016:

- e) On March 23, 2016 the Company completed its initial public offering ("IPO") of Class A Common shares. The Company issued 5,697,500 Class A common shares at a price of \$0.10 for each common share for gross proceeds of \$569,750. The Company paid a 10% cash commission to the agent in the amount of \$56,975. The Company issued 569,750 compensation warrants at a price of \$0.10 per warrant for a period of 5 years from closing of the IPO.
- f) Share issue costs associated with the above financing total \$230,407 consisting of broker compensation warrants and broker and legal fees.

#### 9. WARRANTS

During the three months ended March 31, 2016, the Company granted 569,750 common share purchase warrants in connection with the Company's Initial Public Offering.

During the year ended December 31, 2015, the Company did not have any warrant transactions.

The following is a continuity of share purchase warrant activity for the three month period ended March 31, 2016:

Expiry Date	Exercise price	December 31, 2015	Granted	Exercised	Expired	March 31, 2016	Exercisable
March 23, 2021	\$ 0.10	-	569,750	-	-	569,750	569,750

The Company had the following warrants outstanding as at March 31, 2016:

Number of Warrants	Exercise Price	Expiry Date	Fair Value
569,750 (i)	\$0.10	March 23, 2021	\$ 53,872
<b>569,750</b>			<b>\$ 53,872</b>

(i) These are broker warrants in connection with the Company's financings

## Winston Gold Mining Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

(unaudited)

#### 9. WARRANTS (cont'd)

The following weighted average assumptions were used for the Black-Scholes valuation of the warrants granted during the period:

	March 23, 2016
Share Price	\$ 0.10
Risk-free interest rate	0.64%
Expected life of warrants	5 years
Volatility	294%
Dividend rate	0.0%
Fair value per warrant	\$ 0.0946

#### 10. EXPLORATION AND EVALUATION EXPENSES

Properties, Montana USA	Three months ended March 31, 2016	Year Ended December 31, 2015	Three months ended March 31, 2015
Holmes Property <sup>(a)</sup>	\$ 5,195	\$ 14,067	\$ 3,794
Winston Property <sup>(b)</sup>	17,534	64,660	20,352
	\$ 22,729	\$ 78,727	\$ 24,146

(a) Holmes Property:

On May 14, 2014, the Company entered into a five-year Mining Lease Agreement ("H Lease") with Marcus P. Holmes ("Holmes"), an arm's length party, whereby Holmes leased five (5) unpatented mining claims located in Broadwater County, Montana, USA to the Company for exploration. Per the terms of the agreement, the Company will keep the minerals extracted except oil and gas. To explore the property, the Company paid Holmes an advance royalty payment of \$11,191 (\$10,000US) and issued 1,000,000 common shares valued at \$100,000.

In addition to assuming all underlying payment obligations including governmental taxes, levies and fees, the Company will pay additional advance royalty payments of \$1,000US monthly from June 2014 to May 2019 [Paid - \$28,131 (23,000US) to March 31, 2016]. The H Lease is renewable for additional 5 year terms at \$20,000US per renewal with an advanced royalty payment of \$2,000US monthly.

## Winston Gold Mining Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

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#### 10. EXPLORATION AND EVALUATION EXPENSES (cont'd)

(a) Holmes Property (cont'd):

The Company will pay Holmes a production royalty of 2% of Net Smelter Returns (NSR). Advance royalty payments are credited towards the 2% NSR payable on production. The Company has the option to purchase the 2% NSR from Holmes for a payment of \$2,500,000US.

The Company has the option to terminate the H Lease at any time by providing 30 days written notice to Holmes.

(b) Winston Property:

On July 15, 2014, the Company entered into a five-year Mining Lease Agreement ("W Lease") with Winston Realty L.L.C. ("Winston", a limited liability company), an arm's length party, whereby Winston leased sixteen (16) patented lode mining claims located in Broadwater County, Montana U.S.A. to the Company for exploration. Per the terms of the agreement, the Company will keep the minerals extracted except oil and gas. To explore the property the Company paid Winston an advance royalty payment of \$10,729 (\$10,000US) and issued 2,000,000 common shares in the Company valued at \$200,000.

In addition to assuming all underlying payment obligations including governmental taxes, levies and fees, the Company will pay additional advance royalty payments of \$1,000US monthly from August to October 2014 [Paid \$3,300 (\$3,000US)] and \$2,500US monthly from November 2014 to July 2019 [Paid \$57,007 (\$45,000US) to March 31, 2016] based on minimum quarterly expenditures on the property of \$50,000US or \$200,000US annually [Paid \$431,143 (\$371,536US)].

The W Lease is renewable for additional 5 year terms at \$20,000US per renewal with an advanced royalty payment of \$5,000US monthly. On May 18, 2016, the W Lease was extended for an additional 10 years (Note 16).

The Company will pay Winston a production royalty of 3% NSR if the price of gold is \$2,000US or less and 4% NSR if the price of gold exceeds \$2,000US. Advance royalty payments are credited towards the 3% or 4% NSR payable on production.

The Company has the option to terminate the W Lease at any time by providing 30 days written notice to Winston.

#### 11. DEBT SETTLEMENT

During the three months ended March 31, 2016, the Company confirmed reductions in the balances due to arms-length trade payables in the amount of \$Nil (year ended December 31, 2015 - \$5,230 (\$4,213US), which resulted in a gain on settlement of \$5,230 (\$4,213 US)).

## **Winston Gold Mining Corp.**

(An Exploration Stage Company)

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2016 and 2015**

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#### **12. RELATED PARTY TRANSACTIONS**

Transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below, unless they have been disclosed elsewhere in the unaudited condensed interim consolidated financial statements. During the three months ended March 31, 2016, the Company incurred the following charges with related parties that include officers, directors or companies with common directors of the Company:

Included in exploration and evaluation expenses is \$1,953 [\$1,503 US] (2015 – \$7,467 [\$5,395 US]) of amounts paid or payable to a director of the Company.

Included in accounts payable and accrued liabilities is \$47,401 [\$36,499 US] (December 31, 2015 - \$10,373 [\$7,495 US]) and \$91,718 (December 31, 2015 - \$74,988) due to directors of the Company. (See Note 5 for amounts due to directors).

#### **13. CAPITAL RISK MANAGEMENT**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes shareholders' equity, comprised of issued share capital, share purchase warrant and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company will attempt to raise additional funds through the issuance of equity, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2016.

#### **14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company is exposed to a variety of financial risks by virtue of its activities. In particular: market risk (composed of currency risk), liquidity risk, fair value risk and credit risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies reviewed by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

## Winston Gold Mining Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

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#### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

a) Market risk:

Currency risk:

Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company is exposed to currency risk through the following financial assets and liabilities denoted in United States dollars:

	<b>March 31,</b>		<b>December 31,</b>
	<b>2016</b>		<b>2015</b>
Cash	\$ 23,532	\$	102
Prepaid expenses and deposits	\$ 25,000	\$	10,000
Accounts payable and accrued liabilities	\$ 63,538	\$	77,537
Due to directors	\$ 28,753	\$	28,753

The above balances were translated into US dollars at the period-end rate of \$1.2987 (December 31, 2015 - \$1.3840) Canadian dollars to every US dollar.

Based on the above net exposures as at March 31, 2016, assuming that all other variables remain constant, a +/- 5% change in the Canadian dollar against the United States dollar would result in an increase/decrease in net loss of approximately \$2,800 (2015 - \$6,650).

b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at March 31, 2016, the Company had working capital of \$45,521 (December 31, 2015 – working capital deficiency of \$306,425). As at March 31, 2016, the Company had cash of \$346,656 (December 31, 2015 - \$1,909) to settle current liabilities of \$333,603 (December 31, 2015 - \$336,199) that are considered short term and expected to be settled within 30 to 90 days.

As a result, the Company has minimal liquidity risk at this time and may be required to raise additional capital to fund exploration and operations.

## Winston Gold Mining Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

(unaudited)

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#### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

b) Fair value risk:

Fair value represents the amounts at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The carrying values of cash, reclamation bonds, accounts payable and accrued liabilities and due to directors approximate fair values due to the relatively short term maturities of these instruments.

c) Credit risk:

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and reclamation bonds. The Company reduces its credit risk by maintaining its primary bank accounts at large financial institutions and its reclamation bonds with government agencies.

#### 15. COMMITMENTS

The Company is committed to monthly rent payments for its premises under a lease agreement which expires February 28, 2017. The Company's required minimum payments for future periods are as follows:

2016	\$ 7,200
2017	1,800
<b>Total</b>	<b>\$ 9,000</b>

#### 16. SUBSEQUENT EVENTS

- a) On May 4, 2016, the Company received \$10,000 (\$7,883.59US) for units to be issued at a value of \$0.10 each.
- b) On May 18, 2016, the Company amended the terms of the W Lease to extend it until July 15, 2034 (Note 10). The Company will pay a second renewal payment of \$20,000 US on July 14, 2029 and will continue to pay an advanced royalty payment of \$5,000 US monthly. The Company acquired five additional claims in the region to form part of the Property, the consideration for which is 1,500,000 common shares to the Lessor. Additionally, for a purchase price of \$2,000,000 US, the Company has the option to purchase all subsurface rights as well as 100 acres of land held by the Lessor. The Lessor has the right to buy back all rights and terminate the Lease for \$1 US if there is a cessation of all mining, mineral exploration, and mineral processing activities for a period of five consecutive years.