

# **Winston Gold Corp.**

(An Exploration Stage Company)

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**For the Years ended December 31, 2019 and 2018**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Winston Gold Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Winston Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company is in the exploration stage and has not generated revenue from operations. During the year ended December 31, 2019, the Company incurred a net loss of \$3,562,580 and as of that date, the Company had a deficit of \$27,488,063, working capital deficiency of \$1,958,499 and negative cash flow from operations of \$2,627,566. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

April 24, 2020

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

As at	December 31, 2019	December 31, 2018
<b>Assets</b>		
Current assets		
Cash	\$ 131,135	\$ 63,970
Marketable securities (Note 7)	210,278	-
Prepaid expenses and deposits (Note 8)	21,988	19,231
<b>Total current assets</b>	<b>363,401</b>	<b>83,201</b>
Non-current assets		
Equipment (Note 9)	651,479	154,604
Reclamation bonds (Note 14)	37,769	39,671
<b>Total non-current assets</b>	<b>689,248</b>	<b>194,275</b>
<b>Total Assets</b>	<b>\$ 1,052,649</b>	<b>\$ 277,476</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 22)	\$ 454,740	\$ 226,213
Debenture interest payable (Note 12)	13,454	13,093
Embedded derivative liability - current (Note 12)	109,447	7,357
Debentures payable, current (Note 12)	1,560,618	783,590
Due to directors (Note 10)	183,641	98,592
<b>Total current liabilities</b>	<b>2,321,900</b>	<b>1,128,845</b>
Non-current liabilities		
Due to director, long-term (Note 13)	389,640	-
Debentures payable (Note 12)	-	532,362
Embedded derivative liability (Note 12)	-	950
Restoration liabilities (Note 14)	37,769	39,671
<b>Total non-current liabilities</b>	<b>427,409</b>	<b>572,983</b>
<b>Total Liabilities</b>	<b>2,749,309</b>	<b>1,701,828</b>
<b>Shareholders' Deficiency</b>		
Share capital (Note 17)	21,747,152	19,802,404
Share purchase warrants (Note 19)	2,562,992	681,699
Share subscriptions received (Note 16)	-	678,158
Contributed surplus (Note 20)	1,489,906	1,333,097
Accumulated other comprehensive income (loss)	(8,647)	5,773
Deficit	(27,488,063)	(23,925,483)
<b>Total Shareholders' Deficiency</b>	<b>(1,696,660)</b>	<b>(1,424,352)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 1,052,649</b>	<b>\$ 277,476</b>

*Nature of operations and going concern (Note 1)*  
*Subsequent events (Note 27)*

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

Approved by The Board of Directors on April 24, 2020

"Murray Nye"

Director

"Max Polinsky"

Director

## Winston Gold Corp.

(An Exploration Stage Company)

### Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

	Years ended December 31,	
	2019	2018
<b>Expenses</b>		
Exploration and evaluation expenses (Note 21)	\$ 1,989,196	\$ 742,611
Office and administrative costs	228,450	244,987
Management fees (Note 22)	240,000	260,000
Professional and consulting fees	538,838	341,996
Travel	56,923	73,465
Depreciation expense (Note 9)	44,965	39,258
Interest and accretion expense (Note 12)	353,233	328,646
Debenture bonus expense (Note 12)	119,266	-
Share based payments (Notes 18,22)	157,490	-
Loss (gain) on embedded derivative (Note 12)	101,140	(15,154)
Gain on settlement of debt (Note 17)	-	(13,066)
Gain on disposal of subsidiary (Note 15)	(94,899)	(324,126)
Gain on revaluation of securities (Note 7)	(115,379)	-
Foreign exchange (gain) loss	(56,643)	104,979
Loss for the year	(3,562,580)	(1,783,596)
Foreign exchange on translation of subsidiaries	(14,420)	7,635
<b>Loss and comprehensive loss for the year</b>	<b>\$ (3,577,000)</b>	<b>\$ (1,775,961)</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.027)</b>	<b>\$(0.018)</b>
<b>Weighted average number of common shares outstanding</b>		
<b>Basic and diluted</b>	<b>134,346,896</b>	<b>99,140,813</b>

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

**Winston Gold Corp.**  
(An Exploration Stage Company)  
**Statements of Changes in Shareholders' Deficiency**  
**As at December 31, 2019**  
(Expressed in Canadian Dollars)

	Number of Shares (Note 17)	Share Capital (Note 17)	Contributed Surplus (Note 20)	Share Purchase Warrants (Note 19)	Accumulated Other Comprehensive Income	Share Subscriptions Received (Note 16)	Deficit	Total
<b>Balance, January 1, 2018</b>	<b>82,908,122</b>	<b>\$ 19,256,358</b>	<b>\$ 826,329</b>	<b>\$ 714,877</b>	<b>(1,862)</b>	<b>327,167</b>	<b>(22,141,887)</b>	<b>(1,019,018)</b>
Shares issued for cash (Note 17)	19,888,001	994,400	-	-	-	(327,167)	-	667,233
Allocated to warrants	-	(477,461)	-	477,461	-	-	-	-
Warrants expired (Note 19)	-	-	532,314	(532,314)	-	-	-	-
Shares issued for stock option exercise	750,000	63,046	(25,546)	-	-	-	-	37,500
Shares issued for debt settlement	1,000,000	37,500	-	-	-	-	-	37,500
Share subscriptions received	-	-	-	-	-	678,158	-	678,158
Share issue costs (Note 17)	-	(71,439)	-	21,675	-	-	-	(49,764)
Loss and comprehensive loss for the year	-	-	-	-	7,635	-	(1,783,596)	(1,775,961)
<b>Balance, December 31, 2018</b>	<b>104,546,123</b>	<b>19,802,404</b>	<b>1,333,097</b>	<b>681,699</b>	<b>5,773</b>	<b>678,158</b>	<b>(23,925,483)</b>	<b>(1,424,352)</b>
Shares issued for cash (Notes 16, 17)	68,667,250	3,861,530	-	-	-	(678,158)	-	3,183,372
Shares issued for option exercise	20,000	1,681	(681)	-	-	-	-	1,000
Share issue costs (Note 17)	-	(63,279)	-	26,109	-	-	-	(37,170)
Allocated to warrants	-	(1,855,184)	-	1,855,184	-	-	-	-
Share-based payments (Note 18)	-	-	157,490	-	-	-	-	157,490
Loss and comprehensive loss for the year	-	-	-	-	(14,420)	-	(3,562,580)	(3,577,000)
<b>Balance, December 31, 2019</b>	<b>173,233,373</b>	<b>\$ 21,747,152</b>	<b>\$ 1,489,906</b>	<b>\$ 2,562,992</b>	<b>(8,647)</b>	<b>-</b>	<b>(27,488,063)</b>	<b>(1,696,660)</b>

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

**Winston Gold Corp.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Cash flows**  
**For the years ended December 31, 2019 and 2018**  
(Expressed in Canadian Dollars)

	Years ended December 31,	
	2019	2018
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Loss for the year	\$ (3,562,580)	\$ (1,783,596)
Items not affecting cash:		
Depreciation	44,965	39,258
Accrued interest expense	13,454	13,093
Debenture bonus payment	119,266	-
Gain on debt settlement	-	(13,066)
Accretion expense	202,074	180,938
Accrued management fees	240,000	240,000
Share-based payments	157,490	-
Restoration liability	-	24,046
Foreign exchange	79,748	110,588
Loss (gain) on embedded derivative	101,140	(15,154)
Unrealized loss (gain) on revaluation of marketable securities	(115,379)	-
Gain on sale of subsidiary	(94,899)	(324,126)
Net changes in non-cash working capital items:		
Deposits	(2,757)	(10,231)
Accounts payable and accrued liabilities	189,912	(36,729)
<b>Net cash used in operating activities</b>	<b>(2,627,566)</b>	<b>(1,574,979)</b>
<b>Investing Activities</b>		
Purchase of equipment	(529,779)	-
Sale of subsidiary	-	261,920
Reclamation bonds	-	(24,046)
<b>Net cash provided by (used in) investing activities</b>	<b>(529,779)</b>	<b>237,874</b>
<b>Financing Activities</b>		
Proceeds from share issuances	3,183,372	704,733
Exercise of stock options	1,000	-
Share issuance costs	(37,170)	(49,764)
Share subscriptions received in advance	-	478,158
Repayment of shareholder loans	-	(36,068)
Interest payments	(151,160)	(12,040)
Proceeds from long-term director loan	389,640	-
Proceeds from director loans	220,818	-
Repayment of director loans	(367,570)	(150,500)
<b>Net cash provided by financing activities</b>	<b>3,238,930</b>	<b>934,519</b>
<b>Effect of foreign exchange on cash</b>	<b>(14,420)</b>	<b>7,635</b>
<b>Net change in cash</b>	<b>67,165</b>	<b>(394,951)</b>
<b>Cash, beginning of year</b>	<b>63,970</b>	<b>458,921</b>
<b>Cash, end of year</b>	<b>\$ 131,135</b>	<b>\$ 63,970</b>

**Change in liabilities from financing activities (Note 6)**

**Non-Cash Transactions**

Issuance of private placement warrants	1,855,184	499,136
Expiry of warrants	-	532,314
Loan repayment applied as share subscription received in advance	-	200,000
Extinguishment of accounts payable on sale of subsidiary	-	26,206
Shares issued for debt settlement	-	37,500
Share subscriptions applied to private placement	678,158	327,167
Reversal of contributed surplus on exercise of options	681	25,546
Equipment purchase in accounts payable	30,416	-

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



# Winston Gold Corp.

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Winston Gold 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. and is a wholly owned subsidiary. On October 4, 2016, the Company acquired 100% of the outstanding shares of Goldridge Holdings Limited (“Goldridge”), incorporated in the Province of British Columbia, Canada, and its subsidiary, Goldridge Holdings (USA) Limited (“Goldridge USA”), incorporated in the State of Nevada, USA. On November 5, 2018, the Company sold 100% of its shares in Goldridge and Goldridge USA. Effective August 24, 2017 the Company continued out of the Province of Manitoba into the jurisdiction of the Province of British Columbia and changed its name to Winston Gold Corp. Effective September 1, 2017, the common shares of the Company commenced trading on the Canadian Securities Exchange under the same stock symbol of WGC. 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 consolidated financial statements of the Company were approved by the Board of Directors on April 24, 2020.

#### 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 year ended December 31, 2019, the Company incurred a net loss of \$3,562,580 (December 31, 2018 - \$1,783,596), and as of that date, the Company had a deficit of \$27,488,063 (December 31, 2018 - \$23,925,483), working capital deficiency of \$1,958,499 (December 31, 2018 – deficiency of \$1,045,644) and negative cash flow from operations of \$2,627,566 (December 31, 2018 – negative \$1,574,979).

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 and debenture 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 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.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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## 2. BASIS OF PREPARATION

### Statement of Compliance

These consolidated financial statements of the Company present the Company's financial results of operations and financial position under IFRS as at and for the year ended December 31, 2019.

These consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee.

A summary of the Company's significant account policies under IFRS are presented below. These policies have been consistently applied to all years presented.

### Basis of Measurement and Presentation

The consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency. Winston USA's functional currency is the US dollar. The consolidated financial statements are prepared on the historical cost basis except for financial instruments measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary Winston Gold Mining (USA) Corp. Under the guidance of IFRS 10 *Consolidated Financial Statements*, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases. On November 5, 2018 the former subsidiaries Goldridge Holdings Limited and Goldridge Holdings (USA) were de-consolidated (Notes 7, 15, 21).

All intercompany transactions and balances are eliminated on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Significant Accounting Judgments and Estimates

The Company makes estimates, judgments and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

#### *Judgments*

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Significant Accounting Judgments and Estimates (cont'd)

###### *Judgments (cont'd)*

i) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

ii) Going Concern

The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

###### *Estimates*

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Estimates and judgements 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.

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

###### Estimating useful life of equipment

Depreciation of equipment is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. Management is required to assess the useful economic lives and residual values of the assets such that depreciation is charged on a systematic basis to the current carrying amount. The useful lives are estimated having regard to such factors such as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually.

###### Impairment

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Significant Accounting Judgments and Estimates (cont'd)

###### Share-based payments

Management uses the Black-Scholes Pricing Model for valuation of share based compensation and warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

###### 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 is the Canadian dollar. Management also determined that the functional currency of Winston USA is the US dollar. Prior to the sale of Goldridge Holdings and its subsidiary, the Company determined that the functional currency of Goldridge is the Canadian dollar.

##### Financial instruments

###### Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss).

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is classified as FVTPL. Reclamation bond is measured at amortized cost with subsequent impairments recognized in profit or loss.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Financial instruments (cont'd)

###### Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

###### Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, shareholder loan, due to directors, debenture interest payable and debenture payable are classified as and carried on the statement of financial position at amortized cost. Embedded derivative liability is classified as FVTPL with subsequent changes in fair value recognized in profit or loss.

##### Restoration Liabilities

The Company recognizes a provision for restoration liabilities related to statutory, contractual or legal obligations associated with the retirement of mining claims in the year in which it is incurred. Initially, the restoration liability is recognized at the present value of management's best estimate of expenditures required to settle the obligation. The carrying amount of the related mining claim is increased by the same amount as the net present value of the restoration liability. Discount rates use a pre-tax rate that reflects the time value of money to calculate the net present value. The Company's estimates of such costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures and changes in the net present value. The restoration liabilities amount recorded by the Company represent the reclamation bonds held with the mining bureau.

##### Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Income/Loss per Share

The Company presents basic and diluted income/loss per share data for its common shares, calculated by dividing the income/loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income/loss per share does not adjust the income/loss attributed to the common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

##### Equipment

Equipment is recorded at historical cost less accumulated amortization and impairment charges. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Expenditures incurred to replace a component of an item of equipment that is accounted for separately are capitalized. Amortization of equipment is recorded using the straight-line method, with management reviewing the useful lives of property and equipment at each statement of financial position reporting date to verify the asset is being amortized over a period equivalent to the useful life of the asset.

Equipment is recorded at cost and amortized as follows:

- |                         |                             |
|-------------------------|-----------------------------|
| • Building              | Straight line over 27 years |
| • Exploration equipment | Straight line over 7 years  |
| • Vehicles              | Straight line over 5 years  |
| • Computer Equipment    | Straight line over 4 years  |

The costs of the day-to-day servicing of the equipment are recognized in profit or loss as incurred.

##### Impairment

At the end of each reporting period, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units ("CGU's") for impairment purposes. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. 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.

## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### **Impairment (cont'd)**

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

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, but to an amount that 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. A reversal of an impairment loss is recognized immediately in profit or loss.

##### **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. 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.

For private placements of units consisting of common shares and warrants, the Company uses the relative fair value approach in determining the value assigned to the common shares and warrants, calculated in accordance with the Black Scholes option-pricing model.

The relative fair value of the warrant component of a unit is credited to share purchase warrants and the relative fair 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 assigned a fair value based on the Black-Scholes option pricing mode, accounted for as share issue costs and credited to share purchase warrants.

When broker warrants expire, the fair value is debited to share purchase warrants and credited to contributed surplus. When warrants issued as a component of a unit expire, the relative fair value is debited to share purchase warrants and credited to share capital.

##### **Provisions**

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company has recorded no provisions at December 31, 2019 and 2018 other than restoration liabilities.

## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### **Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the acquisition date fair value of exploration and evaluation assets acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are expensed.

##### **Share-based Payments**

Pursuant to the Stock Option Plan effective October 31, 2016 and amended December 20, 2019, the Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees, the fair value of the stock options is measured at the fair value of the goods or services received. If some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the equity instrument granted.

##### **Segmental Reporting**

The Company presents and discloses segmental information based on information that is regularly reviewed and evaluated by the chief financial officer. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

##### **Asset Acquisition, Disposal / Business Combination**

In accordance with IFRS 3 - *Business Combinations*, a transaction is recorded as a business combination if the significant assets, liabilities, or activities are acquired constitute a business. A business is defined as an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return, lower costs, or other economic benefits. Where there are no such integrated activities, the transaction is treated as an asset acquisition. The acquisition of Goldridge was recorded as an asset acquisition whereby the consideration paid for the net assets acquired was allocated to the fair value of the identifiable assets acquired and liabilities assumed. Accordingly, the disposal of Goldridge was recorded as an asset disposal in the statement of loss and comprehensive loss.

##### **Deferred Taxes**

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at the end of each reporting date between the tax base value of assets and liabilities and their carrying amount on the statement of financial position.



## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### **Deferred Taxes (cont'd)**

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.
- Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

##### **Embedded Derivatives**

Derivatives may be embedded in other financial instruments (the “host instrument”). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in profit or loss.

##### **Foreign Currency Translation**

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the year-end date, monetary assets and monetary liabilities denominated in a foreign currency are translated into the functional currency at the year-end date exchange rate.

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined. These foreign currency adjustments are recognized in profit and loss.

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of loss and comprehensive loss are translated at the average exchange rates for the reporting period. The exchange differences arising on translation for consolidation are recognized in other comprehensive income or loss. On disposal of a foreign operation, the component of other comprehensive income or loss relating to that particular foreign operation is recognized in profit or loss.

## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### **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. 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.

#### **4. RECENT ACCOUNTING POLICIES**

##### IFRS 16 - Leases

On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

##### IFRIC 23 – Uncertainty Over Income Tax Treatments

This standard clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

#### **5. FUTURE ACCOUNTING PRONOUNCEMENTS**

##### **Standards issued or amended but not yet effective**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2019 and have not been applied in preparing these consolidated financial statements. The Company does not expect that these amendments will have a significant effect on its financial statements.

#### **6. CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES**

The following is a continuity of changes in liabilities arising from financing activities for the year ended December 31, 2019 and 2018:

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

#### 6. CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES (cont'd)

For the year ended December 31, 2019

	January 1, 2019	Cash flows	Non-cash changes			Amortization of deferred financing costs	December 31, 2019
			Management fees accrual	Foreign exchange movements	Debtore bonus rolled into principal		
	\$	\$	\$	\$	\$	\$	
Due to directors *	98,592	(154,951)	240,000	-	-	-	183,641
LT director loan	-	389,640	-	-	-	-	389,640
Non-convertible debentures	1,315,952	-	-	(76,674)	119,266	202,074	1,560,618
	<u>1,414,544</u>	<u>234,689</u>	<u>240,000</u>	<u>(76,674)</u>	<u>119,266</u>	<u>202,074</u>	<u>2,133,899</u>

\* \$70,000 was used for share subscriptions received in advance

For the year ended December 31, 2018

	January 1, 2018	Cash flows	Non-cash changes			December 31, 2018
			Management fees accrual	Foreign exchange movements	Amortization of deferred financing costs	
	\$	\$	\$	\$	\$	
Shareholder loans	36,068	(36,068)	-	-	-	-
Due to directors *	208,763	(350,500)	240,000	329	-	98,592
Non-convertible debentures	1,011,053	-	-	123,961	180,938	1,315,952
	<u>1,255,884</u>	<u>(386,568)</u>	<u>240,000</u>	<u>124,290</u>	<u>180,938</u>	<u>1,414,544</u>

\* \$200,000 was applied as share subscriptions received in advance

#### 7. MARKETABLE SECURITIES

In connection with the sale of Goldridge Holdings (Note 15), MNRG was to issue 21,942,576 MNRG ordinary shares of which 19,748,318 shares were issued on July 30, 2019. These consideration shares were valued at \$0.00481 (GBX 0.3000) each for total consideration of \$94,899.

The following is a continuity of the revaluation of marketable securities for the year ended December 31, 2019:

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)****7. MARKETABLE SECURITIES (cont'd)**

	Date	Number of Shares	Value of Securities	
Balance at December 31, 2018	30-Dec-18	-		
Securities received subsequent to sale of subsidiary	30-Jul-19	19,748,318	\$ 94,899	
Value of Securities at December 31, 2019	31-Dec-19	19,748,318	\$ 210,278	\$ 115,379
Net gain on marketable securities	31-Dec-19			\$ 115,379

**8. PREPAID EXPENSES AND DEPOSITS**

	December 31 2019	December 31, 2018
Deposits	\$ 21,988	\$ 19,231
<b>Total</b>	<b>\$ 21,988</b>	<b>\$ 19,231</b>

**9. EQUIPMENT***For the year ended December 31, 2019*

Cost	Building	Exploration Equipment	Vehicles	Computer Equipment	Total
	\$	\$	\$	\$	\$
At December 31, 2018	-	272,813	9,959	1,390	284,162
Additions/Disposals	77,624	474,610	7,961	-	560,195
Foreign exchange	(1,644)	(23,130)	(646)	(67)	(25,487)
<b>At December 31, 2019</b>	<b>75,980</b>	<b>724,293</b>	<b>17,274</b>	<b>1,323</b>	<b>818,870</b>
<b>Accumulated Amortization</b>	<b>Building</b>	<b>Exploration Equipment</b>	<b>Vehicles</b>	<b>Computer Equipment</b>	<b>Total</b>
At December 31, 2018	-	(123,453)	(5,212)	(893)	(129,558)
Amortization for the year	-	(41,787)	(2,694)	(484)	(44,965)
Foreign exchange	-	6,771	308	53	7,132
<b>At December 31, 2019</b>	<b>-</b>	<b>(158,470)</b>	<b>(7,598)</b>	<b>(1,323)</b>	<b>(167,391)</b>
<b>Net Book Value</b>	<b>75,980</b>	<b>565,823</b>	<b>9,676</b>	<b>-</b>	<b>651,479</b>

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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

For the year ended December 31, 2018

Cost	Building	Exploration Equipment	Vehicles	Computer Equipment	Total
	\$	\$	\$	\$	\$
At December 31, 2017	-	250,875	9,158	1,278	261,311
Foreign exchange	-	21,938	801	112	22,851
At December 31, 2018	-	272,813	9,959	1,390	284,162

  

Accumulated Amortization		Exploration Equipment	Vehicles	Computer Equipment	Total
At December 31, 2017	-	(77,688)	(2,961)	(502)	(81,151)
Amortization for the year	-	(37,036)	(1,892)	(330)	(39,258)
Foreign exchange	-	(8,729)	(359)	(61)	(9,149)
At December 31, 2018	-	(123,453)	(5,212)	(893)	(129,558)

  

Net Book Value	-	149,360	4,747	497	154,604
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#### 10. DUE TO DIRECTORS

As at December 31, 2019, the non-interest bearing amounts due to directors were \$27,822 (December 31, 2018 - \$94,500 and \$4,092 (USD 3,000)). These loans are unsecured and have no fixed terms of repayment. (Note 22). The interest bearing amounts due to directors were \$155,819 (USD 119,971) (December 31, 2018 – Nil). These loans are unsecured, bear simple interest at 10% annually and have no fixed terms of repayment.

During the year ended December 31, 2019, the Company repaid \$306,678 and \$4,092 (USD 3,000) in non-interest bearing director loans of which \$70,000 used for share subscriptions.

During the year ended December 31, 2018, the Company repaid \$350,500 in non-interest bearing director loans of which \$200,000 was applied as share subscriptions received in advance.

#### 11. SHAREHOLDER LOANS

During the year ended December 31, 2019, the Company received \$Nil (December 31, 2018 - \$Nil) and repaid \$Nil in shareholder loans (December 31, 2018 - \$36,068).

#### 12. DEBENTURES PAYABLE

During the year ended December 31, 2017, the Company entered into non-convertible USD debentures payable agreements. The Series 1 debentures matured on December 1, 2019. The Series 2 debentures will mature on March 31, 2020 (Note 25). The debentures are secured on a general lien basis by all property and assets of the Company, non-convertible and pay annual interest at 10% calculated from the date the Subscription Agreement is executed and the funds are received from the investor.

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)****12. DEBENTURES PAYABLE (cont'd)**

The interest is payable semi-annually on June 1 and December 1 of each year until maturity. On the maturity date, in addition to the interest rate, the Company is obligated to pay a bonus to the lenders in an amount equal to the difference between the Principal Amount and the gold price differential calculated as the difference between the gold price on the Closing Date and the gold price on the Maturity Date to a maximum of USD 1,600 per troy ounce. The Bonus Payment is calculated as Principal Amount x [(Gold Price on Maturity – Gold Price on Closing)/Gold Price on Closing]. If the debentures are not re-paid on the Maturity Dates, the Company shall pay 10% semi-annual interest on the outstanding portion of the principal amount on December 1 and June 1 of each year until the date of repayment. The bonus payment of \$119,266 (USD 89,694) related to the Series 1 debentures was recognized in profit or loss upon their maturity, rolled into the principal and Renewed Series 1 will mature on December 1, 2020.

In connection with the non-convertible debenture financing, the Company incurred total transaction costs of \$470,031 which were netted with the debentures and amortized over the term of the debentures.

The following is a continuity of non-convertible debentures due from the Company for the years ended December 31, 2019 and 2018:

	<b>December 31, 2019</b>	December 31, 2018
<b>Debentures:</b>	<b>\$</b>	<b>\$</b>
Non-convertible debentures, beginning of year	<b>1,541,546</b>	1,417,585
Additions	<b>119,266</b>	-
Foreign exchange	<b>(76,673)</b>	123,961
Non-convertible debentures, end of year	<b>1,584,139</b>	1,541,546
<b>Loan transaction costs:</b>		
Loan transaction costs, beginning of year	<b>(225,594)</b>	(406,532)
Accretion expense during the year	<b>202,073</b>	180,938
Loan transaction costs, end of year	<b>(23,521)</b>	(225,594)
<b>Non-convertible debentures balance (net of transaction costs), end of year</b>	<b>1,560,618</b>	1,315,952
<b>Current Portion</b>	<b>1,560,618</b>	783,590
<b>Long Term Portion</b>	<b>-</b>	532,362
<b>Total Non-convertible debentures balance</b>	<b>1,560,618</b>	1,315,952

During the year ended December 31, 2019, the Company recorded \$151,161 (2018 – \$147,708) in interest expense.

## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)**

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#### **12. DEBENTURES PAYABLE (cont'd)**

The Company has recorded an embedded derivative liability that arose from the Company's obligation to pay the Bonus Payment which is indexed to the gold price. The embedded derivative liability is subject to fair value adjustment based on gold price at the end of each reporting period, with changes recorded as unrealized gain or loss on embedded derivative liability in the statement of loss and comprehensive loss. As at December 31, 2019, the embedded derivative was valued at \$109,447 (2018 - \$8,307) based on the spot gold price of USD 1,460 (2018 – USD 1,282). During the year ended December 31, 2019, the Company recorded an unrealized loss on embedded derivative liability in the amount of \$101,140 (2018 – unrealized gain \$15,154).

#### **13. DUE TO DIRECTORS – LONG TERM**

On October 4, 2019, the Company received a director loan in the amount of \$389,640 (USD 300,000). The loan is secured by exploration equipment, namely a jumbo drill. The loan bears simple interest at an annual rate of 10%. Principal and interest is repayable monthly, amortized for 36 months commencing in 2020. Subsequent to year-end, the director entered into an amended loan agreement to extend the repayment date for 6 additional months with an option for further extensions. Effective July 4, 2020, if the monthly payments are not paid, interest shall accumulate on the outstanding principal balance.

#### **14. RESTORATION LIABILITIES AND RECLAMATION BONDS**

As at December 31, 2019, management estimated site restoration costs relating to evaluation work completed on the exploration of the Winston property to be \$37,769 (USD 29,080) (December 31, 2018 - \$39,671 (USD 29,080)) 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 \$37,769 (USD 29,080) (December 31, 2018 - \$39,671 (USD 29,080)). The reclamation bonds will be returned to the Company upon the DEQ being satisfied with the site restoration work performed.

#### **15. GAIN ON DISPOSAL OF SUBSIDIARY**

On July 24, 2018, the Company entered into a Sale and Purchase Agreement with MetalNRG ("MNRG"), an arms-length third party, wherein MNRG purchased the Company's 100% interest in Goldridge Holdings Limited ("GRH") and its subsidiary, Goldridge Holdings (USA) Limited ("GRH US"), including all interests in the Gold Ridge Project located in SE Arizona, for cash consideration of USD 200,000 and 21,942,576 shares in MNRG of which 19,748,318 shares were received in fiscal 2019 (Note 7). The transaction closed on November 5, 2018 and Goldridge Holdings, including its subsidiary, was deconsolidated on that date. Cash consideration in the amount of \$261,920 (USD 200,000) was received.

During the year ended December 31, 2019, the Company received 19,748,318 shares in MNRG and recognized a gain on the disposal of Goldridge Holdings and its subsidiary in the amount of \$94,899. During the year ended December 31, 2018, the Company recognized a gain on the disposal of Goldridge Holdings and its subsidiary in the amount of \$324,126.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

#### 16. SHARE SUBSCRIPTIONS

During the year ended December 31, 2019, the Company received \$Nil for units to be issued.

During the year ended December 31, 2018, the Company received \$678,158 for units to be issued at a value of \$0.05 each. These units were issued on March 26, 2019 (Note 17).

#### 17. SHARE CAPITAL

##### Authorized

Unlimited Common shares, voting  
Unlimited Preferred shares

##### Issued and outstanding – Common shares

	Number of Shares		Value
<b>Balance, December 31, 2017</b>	<b>82,908,122</b>	<b>\$</b>	<b>19,256,358</b>
Shares issued for cash <sup>(g,h)</sup>	19,888,001		994,400
Shares issued for option exercise <sup>(i)</sup>	750,000		63,046
Shares issued for debt settlement <sup>(l,m)</sup>	1,000,000		37,500
Share issue costs <sup>(i)</sup>	-		(71,439)
Allocated to warrants	-		(477,461)
<b>Balance, December 31, 2018</b>	<b>104,546,123</b>	<b>\$</b>	<b>19,802,404</b>
Shares issued for cash <sup>(a,b,c,d)</sup>	55,104,092		3,183,372
Shares issued for option exercise <sup>(f)</sup>	20,000		1,681
Shares issued for subscriptions due <sup>(a)</sup>	13,563,158		678,158
Share issue costs <sup>(e)</sup>	-		(63,279)
Allocated to warrants	-		(1,855,184)
<b>Balance, December 31, 2019</b>	<b>173,233,373</b>	<b>\$</b>	<b>21,747,152</b>

As at December 31, 2019, the Company has Nil (December 31, 2018 – 1,199,265) common shares held in escrow.

##### December 31, 2019

- a) On March 26, 2019, the Company issued 21,340,000 units at a price of \$0.05 per unit for total proceeds of \$1,067,000. \$678,158 of these proceeds were in settlement of share subscriptions due (Note 16). Each unit consists of one common share and one common share purchase warrant. The 21,340,000 warrants were assigned a relative fair value of \$507,843, or \$0.0238 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.10, exercisable on or before March 26, 2024.



## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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

- b) On August 28, 2019, the Company issued 33,055,000 units at a price of \$0.05 per unit for total proceeds of \$1,652,750. Each unit consists of one common share and one common share purchase warrant. The 33,055,000 warrants were assigned a relative fair value of \$798,519, or \$0.02416 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.10, exercisable on or before August 28, 2024.
- c) On October 8, 2019, the Company issued 7,724,500 units at a price of \$0.08 per unit for total proceeds of \$617,960. Each unit consists of one common share and one common share purchase warrant. The warrants were assigned a relative fair value of \$298,332, or \$0.0386 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.20, exercisable on or before October 8, 2024.
- d) On December 23, 2019, the Company issued 6,547,750 at a price of \$0.08 per unit for total proceeds of \$523,820. Each unit consists of one common share and one common share purchase warrant. The warrants were assigned a relative fair value of \$250,490, or \$0.0383 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.20 exercisable on or before December 23, 2024.
- e) Share issue costs associated with the above financings total \$63,278.
- f) On December 17, 2019, the Company issued 20,000 common shares pursuant to stock options exercised at a value of \$0.05 per option for proceeds of \$1,000. The fair value of these stock options is \$1,681 (Note 18).

#### December 31, 2018

- g) On February 2, 2018, the Company issued 7,310,001 Units for total gross proceeds of \$365,500 at a price of \$0.05 per unit. Each Unit consists of one common share and one common share purchase warrant. The 7,310,001 warrants were assigned a relative fair value of \$174,595. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.10, exercisable on or before February 2, 2023.
- h) On April 17, 2018, the Company issued 12,578,000 Units for total gross proceeds of \$628,900 at a price of \$0.05 per unit. Each Unit consists of one common share and one common share purchase warrant. The 12,578,000 warrants were assigned a relative fair value of \$302,866. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.10, exercisable on or before April 17, 2023.
- i) Share issue costs associated with the above financings total \$71,439.
- j) On July 26, 2018, the Company issued 750,000 common shares pursuant to stock options exercised at a value of \$0.05 per option for proceeds of \$37,500. The fair value of these stock options is \$25,546 (Note 16).
- k) On July 17, 2018 the Company extended the expiry date of 1,000,000 warrants to August 3, 2021.
- l) On August 30, 2018, the Company issued 500,000 common shares at a value of \$17,500 to settle debt of \$25,000. The Company recognized a gain on the debt settlement in the amount of \$7,500.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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

- m) On October 3, 2018, the Company issued 500,000 common shares at a value of \$20,000 to settle debt of \$25,566. The Company recognized a gain on the debt settlement in the amount of \$5,566.

#### 18. STOCK OPTIONS

The Company has a 10% "rolling" stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock (on a non-diluted basis) of the Company. Under the plan, the exercise price of each option equals the market price, minimum price or a discounted price of the Company's stock as calculated on the date of the grant. The options can be granted for a maximum term of ten years and vest as determined by the Board of Directors.

The following is a continuity of stock option activity for the years ended December 31, 2019 and 2018.

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable December 31, 2017	7,480,000	\$0.10
Cancelled	(100,000)	\$0.05
Exercised	(750,000)	\$0.05
Outstanding and exercisable December 31, 2018	6,630,000	\$0.10
Granted	3,700,000	\$0.05
Exercised	(20,000)	\$0.05
Outstanding and exercisable December 31, 2019	10,310,000	\$0.09

During the year ended December 31, 2019, the Company issued 2,900,000 stock options, vesting immediately, with an expiry date of March 26, 2024 to officers, directors and consultants of the Company. Each option entitles the holder to purchase one common share of the Company at a price of \$0.05 per share. The total fair value of these stock options using the Black-Scholes option pricing model was \$108,337 or \$0.0374 per option. The Company also issued 800,000 stock options, vesting immediately, with an expiry date of August 28, 2024 to consultants of the Company. Each option entitles the holder to purchase one common share of the Company at a price of \$0.07 per share. The total fair value of these stock options using the Black-Scholes option pricing model was \$49,153 or \$0.0614 per option.

No stock options were granted during the year ended December 31, 2018.

During the year ended December 31, 2019, 20,000 stock options were exercised at a value of \$0.05 per option (Note 17).

During the year ended December 31, 2018, 750,000 stock options were exercised at a value of \$0.05 per option (Note 17).

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

#### 18. STOCK OPTIONS (cont'd)

During the year ended December 31, 2018, 100,000 stock options were cancelled.

Annualized volatility is estimated by considering historic average share price volatility of the Company's publicly traded shares.

The Company had the following stock options outstanding as at December 31, 2019:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
150,000	\$0.20	August 24, 2021
900,000	\$0.40	December 15, 2021
280,000	\$0.10	November 27, 2022
5,280,000	\$0.05	November 27, 2022
2,900,000	\$0.05	March 26, 2024
800,000	\$0.07	August 28, 2024
<u>10,310,000</u>	<u>\$0.09</u>	

The following weighted average assumptions were used for the Black-Scholes valuation of the options granted during the year ended December 31, 2019.

	March 26, 2019	August 28, 2019
Share price	\$0.040	\$0.065
Risk-free interest rate	1.48%	1.23%
Expected life of options	5 years	5 years
Volatility	167%	172%
Dividend rate	0.0%	0.0%
Exercise price	\$0.05	\$0.07
Fair value per option	\$0.0374	\$0.0614
Forfeiture rate	0%	0%

#### 19. SHARE PURCHASE WARRANTS

During the year ended December 31, 2018, 1,115,053 broker warrants expired and 1,000,000 warrants with an expiry date of August 3, 2018 were extended for a period of 3 years to expire on August 3, 2021.

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2019 and 2018**  
(Expressed in Canadian Dollars)**19. SHARE PURCHASE WARRANTS (cont'd)**

The following is a continuity of share purchase warrant activity for the year ended December 31, 2019:

Expiry Date	Exercise price	January 1, 2019	Granted	Exercised	Expired	December 31, 2019
March 23, 2021	\$0.10	551,030	-	-	-	551,030
August 3, 2021	\$0.20	1,000,000	-	-	-	1,000,000
September 15, 2022	\$0.10	3,372,104	-	-	-	3,372,104
February 2, 2023	\$0.10	7,310,001	-	-	-	7,310,001
April 17, 2023	\$0.10	12,578,000	-	-	-	12,578,000
April 17, 2023	\$0.10	424,240	-	-	-	424,240
March 26, 2024	\$0.10	-	21,340,000	-	-	21,340,000
August 28, 2021	\$0.10	-	549,200	-	-	549,200
August 28, 2024	\$0.10	-	33,055,000	-	-	33,055,000
October 8, 2019	\$0.20	-	7,724,500	-	-	7,724,500
December 23, 2019	\$0.20	-	6,547,750	-	-	6,547,750
<b>Total</b>		<b>25,235,375</b>	<b>69,216,450</b>	<b>-</b>	<b>-</b>	<b>94,451,825</b>
<b>Weighted average exercise price</b>			<b>\$0.12</b>			<b>\$0.12</b>

The following is a continuity of share purchase warrant activity for the year ended December 31, 2018:

Expiry Date	Exercise price	January 1, 2018	Granted/ Extended	Exercised	Expired/ Extended	December 31, 2018
March 23, 2021	\$0.10	551,030	-	-	-	551,030
August 3, 2018	\$0.20	1,000,000	-	-	(1,000,000)	-
August 3, 2021	\$0.20	-	1,000,000	-	-	1,000,000
August 3, 2018	\$0.20	40,000	-	-	(40,000)	-
September 23, 2018	\$0.15	873,853	-	-	(873,853)	-
November 18, 2018	\$0.40	201,200	-	-	(201,200)	-
September 15, 2022	\$0.10	3,372,104	-	-	-	3,372,104
February 2, 2023	\$0.10	-	7,310,001	-	-	7,310,001
April 17, 2023	\$0.10	-	12,578,000	-	-	12,578,000
April 17, 2023	\$0.10	-	424,240	-	-	424,240
<b>Total</b>		<b>6,038,187</b>	<b>21,312,241</b>	<b>-</b>	<b>(2,115,053)</b>	<b>25,235,375</b>
<b>Weighted average exercise price</b>			<b>\$0.10</b>		<b>(\$0.10)</b>	<b>\$0.10</b>

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2019 and 2018  
(Expressed in Canadian Dollars)****19. SHARE PURCHASE WARRANTS (cont'd)**

The Company had the following warrants outstanding as at December 31, 2019:

<b>Number of Warrants</b>		<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Fair Value</b>
551,030	(i)	\$0.10	March 23, 2021	\$ 52,102
1,000,000		\$0.20	August 3, 2021	\$ 47,643
3,372,104		\$0.10	September 15, 2022	\$ 82,818
7,310,001		\$0.10	February 2, 2023	\$ 174,595
12,578,000		\$0.10	April 17, 2023	\$ 302,866
424,240	(ii)	\$0.10	April 17, 2023	\$ 21,675
21,340,000		\$0.10	March 26, 2024	\$ 507,843
549,200	(ii)	\$0.10	August 28, 2021	\$ 26,109
33,055,000		\$0.10	August 28, 2024	\$ 798,519
7,724,500		\$0.20	October 8, 2024	\$ 298,332
6,547,750		\$0.20	December 23, 2024	\$ 250,490
<b>94,451,825</b>				<b>\$2,562,992</b>

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

(ii) These are finders warrants in connection with the Company's financings

The following weighted average assumptions were used for the Black-Scholes valuation of the warrants granted during the years. Warrants included in units are valued based on the relative fair value allocation:

	February 2, 2018 (PP)	April 17, 2018 (PP)	April 17, 2018 (finders)	March 26, 2019 (PP)	August 28, 2019 (finders)	August 28, 2019 (PP)	October 8, 2019 (PP)	December 23, 2019 (PP)
Share Price	\$0.04	\$0.055	\$0.055	\$0.040	\$0.065	\$0.065	\$0.115	\$0.085
Risk-free interest rate	2.05%	2.06%	2.06%	1.48%	1.23%	1.23%	1.32%	1.66%
Expected life of warrants	5 years	5 years	5 years	5 years	2 years	5 years	5 years	5 years
Percentage of warrants (PP)	47.77%	48.16%	N/A	47.60%	N/A	48.31%	48.28%	47.82%
Volatility	172%	171%	171%	167%	173%	172%	173%	170%
Dividend rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Forfeiture rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fair value per warrant	\$0.0239	\$0.0241	\$0.0511	\$0.0238	\$0.0475	\$0.0242	\$0.0386	\$0.0383

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

#### 20. CONTRIBUTED SURPLUS

Contributed surplus consists of the fair value of stock options granted and broker warrants expired less the fair value of options exercised. The following summarizes the changes in contributed surplus.

	December 31, 2019	December 31, 2018
Balance, beginning of year	\$ 1,333,097	\$ 826,329
Share-based payments	157,490	-
Broker warrants expired	-	532,314
Stock options exercised	(681)	(25,546)
Balance, end of year	\$ 1,489,906	\$ 1,333,097

#### 21. EXPLORATION AND EVALUATION EXPENSES

Properties	December 31, 2019	December 31, 2018
Holmes Property <sup>(a)</sup>	\$ 53,306	\$ 21,525
Winston Property <sup>(b)</sup>	1,935,890	694,472
Goldridge Property <sup>(c)</sup>	-	26,614
	\$ 1,989,196	\$ 742,611

(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 (USD 10,000) 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 USD 1,000 monthly from June 2014 to May 2019 [Paid - \$77,548 (USD 60,000)]. The H Lease is renewable for additional 5 year terms at USD 20,000 per renewal [accrued \$26,754 (USD 20,000)] with an advanced royalty payment of USD 2,000 monthly from June 2019 to June 2024 [Paid \$21,093 (USD 16,000) to December 31, 2019].

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 USD 2,500,000.

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

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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

##### (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 (USD 10,000) 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 USD 1,000 monthly from August to October 2014 [Paid \$3,300 (USD 3,000)] and USD 2,500 monthly from November 2014 to July 2019 [Paid \$188,643 (USD 142,500)] based on minimum quarterly expenditures on the property of USD 50,000 or USD 200,000 annually [Paid \$5,718,818 (USD 4,566,109) to December 31, 2019]. The minimum expenditures are paid up to 2037.

The W Lease is renewable for additional 5 year terms at USD 20,000 per renewal [Paid \$26,408 (USD 20,000)] with an advanced royalty payment of USD 5,000 monthly from August 2019 to August 2024 [Paid \$39,606 (USD 30,000)] to December 31, 2019.

On May 18, 2016, the Company amended the W Lease. The amendment extends the W Lease for an additional 10 years until July 15, 2034 with USD 20,000 due at the end of each 5 year period and the continuation of advanced royalty payments of USD 5,000 monthly. For consideration of 1,500,000 common shares in the Company valued at \$150,000, the amendment superseded the number of contiguous patented lode mining claims to thirteen (13) and the Company acquired the option to purchase the thirteen (13) Leased claims and the subsurface rights in the Leased property as well as 100 acres of the Company’s choice out of 400 acres of land held by Winston for a purchase price of USD 2,000,000. Winston has the right to buy back all rights and terminate the W Lease for USD 1 where there is a cessation of all mining, mineral exploration and mineral processing activities for a period of five (5) consecutive years.

The Company will pay Winston a production royalty of 3% NSR if the price of gold is USD 2,000 or less and 4% NSR if the price of gold exceeds USD 2,000. 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.

##### (c) Goldridge Property:

On October 4, 2016, the Company acquired Holdridge Holdings Limited (“Goldridge”) and its subsidiary, Goldridge Holdings (USA) Limited (“Goldridge USA”).

The Goldridge property is located in north-central Cochise County in Arizona and is comprised of certain patented mining claims, 112 unpatented mining claims, and one leased group of 12 unpatented mining claims.

## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)**

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#### **21. EXPLORATION AND EVALUATION EXPENSES (cont'd)**

(c) Goldridge Property (cont'd):

On November 5, 2018, the Company sold all interest in the Goldridge Property to MNRG for cash consideration of \$261,920 (USD 200,000) and recognized a gain on disposal of \$324,126. On July 30, 2019, the Company recognized an additional gain for share consideration received of \$94,899. (Notes 7,15).

#### **22. 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 consolidated financial statements. During the year ended December 31, 2019, the Company incurred the following charges with related parties that include officers, directors or companies with common directors of the Company:

Included in due to directors is \$Nil (USD Nil) (December 31, 2018 - \$4,092 (USD 3,000)) and \$27,822 (December 31, 2018 - \$94,500) non-interest bearing amounts along with \$155,819 (USD 119,971) that bear a 10% annual simple interest. (See Note 10 for amounts due to directors).

Included in due to director-long term is \$389,640 (USD 300,000) (December 31, 2018 - \$Nil) that bear a 10% annual simple interest. (See Note 13 for long term amounts due to directors)

During the year ended December 31, 2019, management fees to directors were \$240,000 (2018 - \$260,000).

During the year ended December 31, 2019 the Company granted 2,300,000 stock options to directors and officers of the Company resulting in share-based payments of \$85,924.

During the year ended December 31, 2018, the Company did not grant stock options to directors and officers of the Company.

#### **23. 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 items in shareholders' deficiency 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 year ended December 31, 2019.



## Winston Gold Corp.

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

#### 24. 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.

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>December 31</b>	December 31,
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Cash	<b>95,129</b>	43,191
Deposits	<b>10,000</b>	7,500
Accounts payable and accrued liabilities	<b>216,125</b>	46,763
Debenture interest payable	<b>10,359</b>	9,597
Embedded derivative liability	<b>84,268</b>	697
Debenture principal	<b>1,219,694</b>	1,130,000
Due to directors	<b>119,971</b>	3,000
Long term loan payable to director	<b>300,000</b>	-

The above balances were translated into US dollars at the year-end rate of \$1.2988 (December 31, 2018 - \$1.3642) Canadian dollars to every US dollar.

Based on the above net exposures as at December 31, 2019, 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 \$119,833 (December 31, 2018 - \$77,720).

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.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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

b) Liquidity risk (cont'd):

As at December 31, 2019, the Company had working capital deficiency of \$1,958,499 (December 31, 2018 – deficiency of \$1,045,644). As at December 31, 2019, the Company had cash of \$131,135 (December 31, 2018 - \$63,970) to settle current liabilities of \$2,321,900 (December 31, 2018 - \$1,128,845) that are considered short term and expected to be settled within 30 to 90 days.

As a result, the Company has liquidity risk at this time and is dependent on raising funds from external sources. Since the Company does yet earn revenue, it will be required to raise additional capital to fund exploration and operations.

c) 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, marketable securities, reclamation bonds, accounts payable and accrued liabilities, interest payable, debentures payable and due to directors approximate fair values due to the relatively short term maturities of these instruments. The fair value of the Company's debenture embedded derivative liability is indexed to the gold spot price at the end of each reporting period.

d) 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.

e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no interest-bearing financial instruments other than cash, director loans and debentures payable; therefore, its exposure to interest rate risks is insignificant. The Company's director loans and debentures payable bear a fixed interest rate

## Winston Gold Corp.

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

#### 25. FAIR VALUE HIERARCHY

Financial assets and liabilities measured at fair value are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

Level 1 - Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Values based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Values based on prices or valuation techniques that are not based on observable market data.

Cash and marketable securities are measured at Level 1 of the fair value hierarchy. The fair value of accounts payable and accrued liabilities, due to director(s), debenture interest payable, and debentures payable approximates fair value due to the short term nature of the financial instruments. The Company classified its receivables as amortized cost. Accounts payable and accrued liabilities, due to director(s), debenture interest payable, and debentures payable are classified and measured at amortized cost. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature

#### 26. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2019	2018
Loss for the year	\$ (3,562,580)	\$ (1,783,596)
Expected income tax (recovery)	\$ (962,000)	\$ (482,000)
Change in statutory, foreign tax, foreign exchange rates and other	(64,000)	(151,000)
Permanent differences	26,000	2,000
Impact of tax change	-	(494,000)
Share issue cost	(8,000)	(19,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	25,000	272,000
Change in unrecognized deductible temporary differences	983,000	872,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

#### 26. INCOME TAXES (cont'd)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2019	2018
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 1,524,000	\$ 997,000
Share issue costs	43,000	65,000
Marketable securities	(16,000)	-
Debt with accretion	(6,000)	(61,000)
Non-capital losses available for future period	1,954,000	1,514,000
	3,499,000	2,515,000
Unrecognized deferred tax assets	(3,499,000)	(2,515,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2019	Exp. Date Range	2018	Exp. Date Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 4,569,000	No expiry date	\$ 3,018,000	No expiry date
Share issue costs	160,000	2019 to 2023	239,000	2019 to 2022
Marketable securities	(117,000)	No expiry date	-	No expiry date
Debt with accretion	(24,000)	No expiry date	(226,000)	No expiry date
Non-capital losses available for future periods	6,845,000	2033 to 2039	5,226,000	2033 to 2038
Canada	5,329,000	2033 to 2039	3,752,000	2033 to 2038
USA	1,516,000	2034 to 2039	1,474,000	2034 to 2038

Tax attributes are subject to review and potential adjustments by tax authorities.

#### 27. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company completed the following transactions:

- a) Repaid director loans in the amount of \$55,750.
- b) Received 10% simple interest-bearing director loans in the amount of \$554,092 (USD 420,000).
- c) Received \$1,646,822 for units to be issued at a value of \$0.08 each.

## Winston Gold Corp.

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2019 and 2018 (Expressed in Canadian Dollars)

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#### 27. SUBSEQUENT EVENTS (cont'd)

- d) On February 12, 2020, the Company entered into a five-year Mill Lease Agreement (“M-Lease”) with Paradine LLC (“Paradine”, a limited liability company), an arm’s length party, whereby the Company leased the Paradine Mill, located in Broadwater County, Montana. In addition to assuming payment obligations of property and liability insurance and governmental taxes, levies and fees, the Company will pay monthly base rent of USD 20,000. In addition to base rent, the company shall pay a milling fee calculated by multiplying the number of short dry tons of ore processed during the month by the “Applicable Rate” for that month. The Applicable Rate shall be an amount equal to the Average Gold Price as shown on Kitco.com multiplied by .008. The applicable Rate shall not exceed USD 14.40 per short dry ton and shall not be less than USD 11.20 per short dry ton. The Company has the option to purchase the Mill on the last day of the term of the M-Lease. The monthly lease payments began March 1, 2020.
- e) The Series 2 Debentures matured on March 31, 2020. The bonus amount of \$154,391 (USD 108,826) related to the Series 2 debentures was recognized in profit or loss upon their maturity, rolled into the principal and Renewed Series 2 will mature on March 31, 2021. The interest is payable semi-annually on June 1 and December 1 of each year until maturity. If the debentures are not re-paid on the Maturity Date, the Company shall pay 10% semi-annual interest on the outstanding portion of the principal amount on December 1 and June 1 of each year until the date of repayment.
- f) In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.