

WINSTON RESOURCES INC.
Condensed Interim Financial Statements
For the Three Months Ended October 31, 2018 and 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Winston Resources Inc.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	October 31, 2018	July 31, 2018
ASSETS		
Current assets		
Cash	\$ 816,809	\$ 869,693
Prepaid expenses	683	-
Loan receivable (note 8)	500	500
GST recoverable	64,952	61,508
Total current assets	882,944	931,701
Total assets	\$ 882,944	\$ 931,701
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 195,661	\$ 153,927
Total current liabilities	195,661	153,927
Shareholders' equity		
Share capital (note 9)	11,626,320	11,626,320
Reserves (note 9)	2,331,049	2,331,049
Deficit	(13,270,086)	(13,179,595)
Total shareholders' equity	687,283	777,774
Total liabilities and shareholders' equity	\$ 882,944	\$ 931,701

Nature of operations (note 1)
Going concern assumption (note 2)
Assignment agreement (note 10)

Approved on behalf of the Board of Directors:

"Quinn Field-Dyte" (signed)
Quinn Field-Dyte, Director

"Suzette Ramcharan" (signed)
Suzette Ramcharan, Director

The notes to the condensed interim financial statements are an integral part of these statements.

Winston Resources Inc.**Condensed Interim Statements of Loss and Comprehensive Loss****For the Three Months Ended October 31, 2018 and 2017****(Expressed in Canadian Dollars)****(Unaudited)**

	For the Three Months Ended October 31,	
	2018	2017
Operating expenses		
Bank service expenses	\$ 65	\$ 45
Consulting expenses (note 7)	32,870	137,524
Filing and listing fees	3,030	1,650
Office and rent expenses	7,190	30,379
Professional fees	45,473	3,250
Shareholder information	-	2,115
Transfer agent fees	912	-
Travel expenses	957	507
	(90,497)	(175,470)
Other income		
Foreign exchange gain	6	-
Net loss and comprehensive loss for the period	\$ (90,491)	\$ (175,470)
Basic and diluted loss per share (note 9)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	25,133,840	25,133,840

The notes to the condensed interim financial statements are an integral part of these statements.

Winston Resources Inc.**Condensed Interim Statements of Cash Flows****For the Three Months Ended October 31, 2018 and 2017****(Expressed in Canadian Dollars)****(Unaudited)**

	For the Three Months Ended October 31,	
	2018	2017
Operating activities		
Net loss for the period	\$ (90,491)	\$ (175,470)
Net changes in non-cash working capital:		
GST recoverable	(3,444)	(5,676)
Prepaid expenses	(683)	(160,000)
Accounts payable and accrued liabilities	41,734	(31,027)
Net cash used in operating activities	(52,884)	(372,173)
Investing activity		
Loan receivable	-	(8,166)
Net cash used in investing activity	-	(8,166)
Net change in cash	(52,884)	(380,339)
Cash, beginning of period	869,693	1,445,761
Cash, end of period	\$ 816,809	\$ 1,065,422

The notes to the condensed interim financial statements are an integral part of these statements.

Winston Resources Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

	<u>Common Share Capital</u>		Preferred Share Capital	Subscription Receivable	<u>Reserves</u>				
	Number of Shares	Amount			Warrants	Contributed Surplus	Total Reserves	Accumulated Deficit	Total
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, July 31, 2017	25,133,840	10,984,476	671,844	(30,000)	1,820,049	511,000	2,331,049	(11,993,653)	1,963,716
Net loss for the period	-	-	-	-	-	-	-	(175,470)	(175,470)
Balance, October 31, 2017	25,133,840	10,984,476	671,844	(30,000)	1,820,049	511,000	2,331,049	(12,169,123)	1,788,246
Balance, July 31, 2018	25,133,840	10,984,476	671,844	(30,000)	1,820,049	511,000	2,331,049	(13,179,595)	777,774
Net loss for the period	-	-	-	-	-	-	-	(90,491)	(90,491)
Balance, October 31, 2018	25,133,840	10,984,476	671,844	(30,000)	1,820,049	511,000	2,331,049	(13,270,086)	687,283

The notes to the condensed interim financial statements are an integral part of these statements.

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations

Winston Resources Inc. (“Winston” or the “Company”) is incorporated under the laws of the province of British Columbia. Winston was an exploration stage company engaged in the acquisition and exploration of mineral resource properties in Canada. Prior to January 29, 2016, the Company also invested in four other companies operating in the Canadian resource sector as well as a United States based company providing management services to Canadian based mineral exploration companies. On January 29, 2016, the Company distributed to its shareholders all its interest in CNRP Mining Inc. (“CNRP”), Zara Resources Inc. (“Zara”), Leo Resources Inc. (“Leo”) and Hadley Mining Inc. (“Hadley”) and no longer has any interest in these companies. As of July 31, 2017, the Company is changing its business from natural resources to the cannabis sector.

Effective May 31, 2017, the Company entered into a definitive agreement (the “Share Exchange Agreement”) with GT Therapeutics Corporation (“GTT”), pursuant to which the Company will complete a reverse takeover and acquire from the shareholders of GTT, all of the issued and outstanding shares of GTT, causing GTT to become a wholly-owned subsidiary of Winston. On completion of the transaction, the business of GTT will become the business of Winston. Effective on January 10, 2018, the Company entered into an assignment and novation agreement (the “Assignment Agreement”) among the Company, certain shareholders of GTT and Abattis Bioceuticals Corp. (“Abattis”), a company listed on the Canadian Securities Exchange (“CSE”), pursuant to which, the Company assigned all of its rights and interest (the “Assignment”) with GTT. On January 29, 2018, the acquisition has been completed by the Company’s assignee, Abattis (note 10). On December 22, 2017, the Company entered into a non-binding Letter of Intent (“LOI”) with Abattis which outlines the general terms and conditions of a proposed transaction that will result in Abattis acquiring all of the issued and outstanding common shares of Winston at the time of closing in exchange for 25,000,000 common shares of Abattis. As a result of the proposed transaction, Winston shareholders will own approximately 10.2% of Abattis’s issued and outstanding common shares. This transaction has not been completed as at the date of these condensed interim financial statements.

Winston is a reporting issuer in the jurisdictions of British Columbia, Alberta and Ontario whose common shares are listed for trading on the CSE under the symbol “WRW”. The head office of the Company is located at 800 - 1199 West Hastings St., Vancouver, BC, V6E 3T5, Canada.

2. Going Concern Assumption

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards (“IFRS”). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, which casts significant doubt about the Company’s ability to continue as a going concern.

Management’s current strategy is to focus on the completion of the LOI with Abattis and, at the same time, to exercise careful cost control to sustain operations in the short term. Management recognizes the Company’s need to expand its cash reserves in the coming year if it intends to adhere to its sales and marketing plans and has evaluated its potential sources of funds. Although management intends to assess and act on these options throughout the course of the year, there can be no assurance that the steps management take will be successful.

In the event that cash flow from operations, together with the proceeds from any future financings are insufficient to cover planned expenditures, management will allocate available resources in such manner as deemed to be in the Company’s best interest. This may result in a significant reduction in the scope of existing and planned operations.

As at October 31, 2018, the Company has not generated any revenues from operations had started and has a deficit of \$13,270,086 (July 31, 2018 - \$13,179,595). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

2. Going Concern Assumption (continued)

Accordingly, these condensed interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim financial statements. These adjustments could be material.

3. Statement of Compliance and Basis of Presentation

(a) Statement of compliance

These unaudited condensed interim financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB"). The board of directors approved the condensed interim financial statements on December 28, 2018.

These condensed interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2018.

(b) Basis of presentation

These condensed interim financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments which may be carried at fair value in subsequent periods and have been prepared using the accrual basis of accounting, except for cash flow information.

4. Significant Accounting Policies

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

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets, and contingent liabilities.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty, and the classification of financial instruments.

Foreign currency translation

The functional currency of an entity is measured using the currency of the primary economic environment in which that entity operates. The condensed interim financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

Foreign currency translation (continued)

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to share-based payment reserves. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Warrants

When the Company issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black-Scholes Option Pricing Model.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, basic loss per share equals the dilutive loss per share. Diluted loss per share is calculated by using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Impairment of assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income (loss).

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

Impairment of assets (continued)

the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

Restoration and environmental obligations (continued)

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for resource property interest.

The Company has no restoration, rehabilitation and environmental obligations.

New accounting standards already effective

Financial instruments

The Company has adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The main area of change is the accounting for equity securities previously classified as fair value through profit and loss.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at August 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Winston Resources Inc.

Notes to Condensed Interim Financial Statements
For the Three Months Ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

4. Significant Accounting Policies (continued)

New accounting standards already effective (continued)

Financial instruments (continued)

Classification (continued)

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	Amortized cost
Loan receivable	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on August 1, 2018.

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of net income (loss). Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net income (loss) in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

4. Significant Accounting Policies (continued)

New accounting standards already effective (continued)

Financial instruments (continued)

Derecognition (continued)

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of net income (loss).

Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The Company has determined that the adoption of IFRS 15 has no impact on its financial statements.

New accounting standards not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as at the date of issuing these statements and have not been applied in preparing these condensed interim financial statements. The Company has not early adopted any of these standards and do not expect that these standards will have an impact on its financial statements.

Leases

IFRS 16 replaces IAS 17 *Leases* and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet assessed the future impact of this new standard on its financial statements.

Other recent accounting pronouncements that have no material impact to the Company are not included above.

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

5. Financial Risk Management and Capital Management

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management, with the Board of Directors oversight, manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

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

Market risk

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly.

Fair value risk

Fair value risk is the potential for fair value fluctuations in the value of a financial instrument. The level of market risk to which the Company is exposed varies depending on market conditions, and expectations of future price and yield movements. The Company believes the carrying amounts of its financial assets and financial liabilities are a reasonable approximation of fair value.

Interest rate risk

Interest rate risk is the potential for fair value changes of a financial instrument resulting from changes in interest rates. The Company is not exposed to interest rate risk.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. As at October 31, 2018, the Company had, at its disposal, \$816,809 in cash. The Company will require additional working capital to fund its operations. There is no guarantee that market conditions will be conducive to raising such additional equity capital.

Foreign currency risk

The Company is exposed to currency risks on its United States dollar denominated working capital balances due to changes in the US dollar/Canadian dollar exchange rate. As of October 31, 2018, the Company does not use derivative instruments to reduce its exposure to currency risk.

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration.

Winston Resources Inc.**Notes to Condensed Interim Financial Statements****For the Three Months Ended October 31, 2018 and 2017****(Expressed in Canadian Dollars)****(Unaudited)**

5. Financial Risk Management and Capital Management (continued)***Financial risks (continued)******Foreign currency risk (continued)***

Cash and loan receivable are categorized as loans and receivables whereby they are initially recognized at fair value and then subsequently carried at amortized cost. Accounts payables are classified as other financial liabilities whereby they are initially recognized at fair value and then measured at amortized cost.

The carrying values, which approximate fair values of the Company's financial instruments are as follows:

		As at October 31, 2018		As at July 31, 2018
Financial Assets				
<i>Loans and receivables</i>				
Cash	\$	816,809	\$	869,693
Loan receivable	\$	500	\$	500
Financial Liabilities				
<i>Other financial liabilities</i>				
Accounts payable	\$	183,161	\$	141,427

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition of new business interests to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company defines its capital as its shareholders' equity. As at October 31, 2018, the Company's capital resources amounted to \$687,283 (July 31, 2018 - \$777,774).

The Company's capital management objectives, policies and processes have remained unchanged during the three months ended October 31, 2018. The Company is not subject to any capital requirements imposed by a lending institution.

6. Accounts Payable and Accrued Liabilities

		As at October 31, 2018		As at July 31, 2018
Accounts payable (note 7)	\$	183,161	\$	141,427
Accrued liabilities		12,500		12,500
	\$	195,661	\$	153,927

Winston Resources Inc.

Notes to Condensed Interim Financial Statements
For the Three Months Ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

7. Related Party Transactions and Disclosures

During the three months ended October 31, 2018, the Company incurred and paid consulting fees of \$10,500 (2017 - \$7,500) to the CEO of the Company.

The following transaction occurred between related parties during the three months ended October 31, 2018 and 2017:

	2018	2017
Consulting fees paid to the current CEO and director	\$ 13,870	\$ 7,500

As at October 31, 2018 and July 31, 2018, \$nil was payable to related parties.

8. Loan Receivable

As at October 31, 2018, the Company had a loan receivable of \$500 (July 31, 2018 - \$500) from related party. The loan has no set terms of repayment, is interest free, and is due on demand. During the year ended July 31, 2018, loan receivable from GTT of \$421,785 was forgiven and included in gain on assignment interest (note 10).

9. Share Capital and Reserves

Share capital

The Company's authorized share capital consists of:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares without special rights or restrictions attached. A total of 671,844 preferred shares with a value of \$671,844 are issued and outstanding as of October 31, 2018.

There were no common and preferred shares issued during the three months ended October 31, 2018 and year ended July 31, 2018.

Basic and diluted loss per share

The calculation of basic loss per share for the three months ended October 31, 2018 was based on the loss attributable to common shareholders of \$90,491 (2017 - \$175,470) and the weighted average number of common shares outstanding of 25,133,840 (2017 - 25,133,840). Diluted loss per share did not include the effect of 21,845,440 warrants (2017 - 21,845,440) as they are anti-dilutive.

Stock options

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of ten years. The plan allows for the issuance of up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis

There were no stock options outstanding as at October 31, 2018 and July 31, 2018.

Winston Resources Inc.**Notes to Condensed Interim Financial Statements****For the Three Months Ended October 31, 2018 and 2017****(Expressed in Canadian Dollars)****(Unaudited)**

9. Share Capital and Reserves (continued)**Warrants**

The issued and outstanding warrants balance at October 31, 2018 is comprised as follows:

	Weighted average exercise price	Number of warrants
Balance, July 31, 2017	\$0.29	22,954,887
Warrants expired	0.15	(1,109,447)
Balance, July 31, 2018 and October 31, 2018	\$0.30	21,845,440

Issue date	Expiry date	Exercise price	Number of warrants
February 2, 2017	February 2, 2019	\$0.06	10,000,000
March 22, 2017	March 22, 2019	\$0.50	11,845,440
			21,845,440

During the year ended July 31, 2017, the fair value of the warrants issued was estimated using the Black-Scholes Option Pricing Model assuming a risk-free rate of 0.74% to 0.77%, an expected life of 2 years, an expected volatility of 315.19% to 323.91%, and no expected dividends.

Contributed surplus

Contributed surplus includes the accumulated fair value of share-based compensation and warrants transferred from share-based payment reserve and warrant reserve upon cancellation or expiry of the stock options and warrants. A summary of the changes in the Company's contributed surplus is set out below:

	Warrant reserve (\$)	Contributed surplus (\$)
Balance, July 31, 2018 and October 31, 2018	1,820,049	511,000

Winston Resources Inc.

Notes to Condensed Interim Financial Statements

For the Three Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

10. Assignment Agreement

On May 31, 2017, the Company entered into a definitive agreement to acquire GTT through a reverse take-over. After the completion of this transaction, GTT will become the business of Winston. Pursuant to the agreement, the Company will issue an aggregate of 5,500,000 common shares to the existing shareholders of GTT, on a pro-rata basis, at a price of \$0.45 per share for total consideration of \$2,475,000 plus \$125,000 in cash (paid). The Company was required to complete a concurrent private placement. In connection with the same, during the year ended July 31, 2017, the Company closed a non-brokered private placement of 11,600,000 units. Completion of the transaction is subject to a number of conditions, including but not limited to satisfactory due diligence and acceptance of the Canadian Securities Exchange. This transaction was not completed.

Effective on January 10, 2018, the Company entered into an assignment and novation agreement (the "Assignment Agreement") among the Company, certain shareholders of GTT and Abattis.

Pursuant to the terms of an assignment and novation agreement, the Company assigned to Abattis all of its rights and interest under a share exchange agreement dated effective May 31, 2017, between the Company and GTT, pursuant to which the Company was granted the right to acquire GTT. On January 29, 2018, the Company's assignee, Abattis, completed its acquisition of GTT. In consideration of the assignment and upon closing of the acquisition, the Company received 15,000,000 shares from Abattis and recorded a realized gain on assignment of agreement of \$9,953,215.

The table below summarizes the computation of realized gain on assignment interest:

	Amount
Consideration received	
15,000,000 common shares at \$0.70 per share	\$ 10,500,000
Less: Cash payment to GTT	125,000
Forgiveness of loan (note 8)	421,785
	546,785
	\$ 9,953,215

On June 7, 2018, the Company distributed the 15,000,000 shares of Abattis to its shareholders. The decrease in fair value of the Abattis shares from January 10, 2018 to June 7, 2018 amounted to \$7,500,000, which was recorded in profit and loss. The fair value of the Abattis shares on June 7, 2018 of \$3,000,000 was recorded as a dividend paid to shareholders.

11. Subsequent Event

There were no subsequent events.