

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

(An Exploration Stage Company)

Consolidated Financial Statements
(Expressed in Canadian Dollars)

For the Years Ended December 31, 2015 and 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Winston Gold Mining Corp.

We have audited the accompanying consolidated financial statements of Winston Gold Mining Corp., and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winston Gold Mining Corp. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 1 in the consolidated financial statements which describes material uncertainties that cast significant doubt about Winston Gold Mining Corp.'s ability to continue as a going concern.



Collins Barrow Toronto LLP
Licensed Public Accountants
April 28, 2016
Toronto, Ontario

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

As at	December 31, 2015	December 31, 2014
Assets		
Current assets		
Cash	\$ 1,909	\$ 26,368
Amounts receivable	-	2,500
Prepaid expenses and deposits (Note 5)	27,865	81,568
Total current assets	29,774	110,436
Non-current assets		
Deferred share issuance costs	44,766	-
Reclamation bonds (Note 7)	13,985	13,985
Total Assets	\$ 88,525	\$ 124,421
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 11,12,15)	336,199	308,346
Non-current liabilities		
Due to directors (Notes 6,12)	77,837	-
Restoration liabilities (Note 7)	13,985	13,985
Total Liabilities	428,021	322,331
Shareholders' Equity (Deficiency)		
Share capital (Note 9)	759,802	537,502
Share subscriptions received (Note 8)	-	80,000
Deficit	(1,099,298)	(815,412)
Total Shareholders' Equity (Deficiency)	(339,496)	(197,910)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 88,525	\$ 124,421

Nature of operations and going concern (Note 1)

Commitments (Note 16)

Subsequent events (Note 17)

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

Approved by The Board of Directors on April 28, 2016

"Murray Nye"

Director

"Max Polinsky"

Director

Winston Gold Mining Corp.
(An Exploration Stage Company)
Consolidated Statements of Net Loss and Comprehensive Loss
For the years ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2015	2014
Expenses		
Office and administrative costs	\$ 59,724	\$ 13,852
Exploration and evaluation expenses (Notes 10,12)	78,727	748,693
Professional fees	119,345	45,006
Travel	2,930	2,719
Loss (gain) on foreign exchange	28,390	(617)
Total expenses before undernoted item	(289,116)	(809,653)
Gain on debt settlement (Note 11)	5,230	-
Net loss and comprehensive loss for the year	\$ (283,886)	\$ (809,653)
Basic and diluted earnings per share	\$(0.01)	\$(0.20)
Weighted average number of common shares outstanding		
Basic and diluted	20,443,360	4,150,237

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

Winston Gold Mining Corp.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Received	Deficit	Total
	(Note 9)	(Note 9)			
Balance, December 31, 2013	100	2	-	(5,759)	(5,757)
Shares issued for cash	15,470,000	245,000	-	-	245,000
Shares issued for mining lease agreements	3,000,000	300,000	-	-	300,000
Share subscriptions received for cash	-	-	80,000	-	80,000
Share issue costs	-	(7,500)	-	-	(7,500)
Net loss and comprehensive loss for the year	-	-	-	(809,653)	(809,653)
Balance, December 31, 2014	18,470,100	537,502	80,000	(815,412)	(197,910)
Shares issued for cash	1,450,000	145,000	-	-	145,000
Share subscriptions settled	800,000	80,000	(80,000)	-	-
Shares issued for broker compensation	27,000	2,700	-	-	2,700
Share issue costs	-	(5,400)	-	-	(5,400)
Net loss and comprehensive loss for the year	-	-	-	(283,886)	(283,886)
Balance, December 31, 2015	20,747,100	759,802	-	(1,099,298)	(339,496)

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

Winston Gold Mining Corp.
(An Exploration Stage Company)
Consolidated Statements of Cash flows
For the years ended December 31, 2015 and 2014
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2015	2014
Cash (used in) provided by:		
Operating Activities		
Net loss and comprehensive loss for the year	\$ (283,886)	\$ (809,653)
Shares issued for mining lease agreements	-	300,000
Restoration liability	-	13,985
Gain on debt settlement	(5,230)	-
Net changes in non-cash working capital items:		
Amounts receivable	2,500	(2,498)
Prepaid expenses and deposits	53,702	(81,568)
Accounts payable and accrued liabilities	72,878	302,697
Net cash used in operating activities	(160,036)	(277,037)
Investing Activities		
Reclamation bonds	-	(13,985)
Net cash used in investing activities	-	(13,985)
Financing Activities		
Proceeds from share issuances	145,000	245,000
Deferred share issuance costs	(44,766)	-
Share issuance costs	(2,700)	(7,500)
Proceeds from share subscriptions received	-	80,000
Proceeds from director loans	38,043	-
Net cash provided by financing activities	135,577	317,500
Net change in cash	(24,459)	26,478
Cash, beginning of year	26,368	(110)
Cash, end of year	\$ 1,909	\$ 26,368

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

Winston Gold Mining Corp.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The consolidated financial statements of the Company were approved by the Board of Directors on April 28, 2016.

Going Concern of Operations

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

The Company is in the exploration stage and has not generated revenue from operations. During the year ended December 31, 2015, the Company incurred a net loss of \$283,886 (2014 - \$809,653), and as of that date, the Company had a deficit of \$1,099,298 (December 31, 2014 - \$815,412), a working capital deficiency of \$306,425 (December 31, 2014 - \$197,910) and negative cash flow from operations of \$160,036 (2014 - \$277,037).

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

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

2. BASIS OF PREPARATION

Statement of Compliance

These 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 IFRS Interpretations Committee.

Winston Gold Mining Corp.
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Notes to the Consolidated Financial Statements
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2. BASIS OF PREPARATION (cont'd)

Statement of Compliance (cont'd)

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

Basis of Measurement

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

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

Basis of Consolidation

The consolidated financial statements at December 31, 2015 include the accounts of the Company and its wholly-owned subsidiary, Winston Gold Mining USA Corp. ("Winston-US"), which was incorporated in Montana, U.S.A. and carries out the exploration activities in Montana, U.S.A. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany transactions and balances are eliminated on consolidation.

Deferred Share Issuance Costs

Deferred share issuance costs relate directly to the issuance of shares by the Company, as disclosed in Note 18. Upon successful completion of the initial public offering, the costs will be charged against capital stock.

Use of estimates and judgments

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

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

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

Share-based payments

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

2. BASIS OF PREPARATION (cont'd)

Use of estimates and judgments (cont'd)

Recovery of deferred tax assets

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

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

Determination of functional currency

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, 2015 and 2014 other than restoration liabilities.

Acquisition, exploration and evaluation expenditures

The Company is in the exploration stage with respect to its investment in exploration properties and follows the practice of capitalizing all costs relating to the acquisition of its interest in properties excluding mining lease agreements. All exploration and evaluation expenditures are expensed in the period incurred. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate acquisition costs related to abandoned mineral properties are charged to income at the time of any abandonment or when it has been determined that there is evidence of permanent impairment.

An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for interest in exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on exploration properties when amounts received or receivable are in excess of the carrying amount.

All capitalized acquisition costs of interests in properties are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that the capitalized acquisition cost is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

Share-based payments

Pursuant to the Stock Option Plan effective September 29, 2015, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments (cont'd)

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. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. 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.

Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets:

All financial assets are recognized when it becomes a party to the contractual provisions of the instrument, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets at FVTPL, 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Winston Gold Mining Corp.
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd):

Financial assets classified as FVTPL are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income.

Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

Financial liabilities:

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments are classified as follows:

<u>Financial assets:</u>		<u>Classification:</u>
Cash	-	FVTPL
Reclamation bond	-	Loans and receivables
<u>Financial liabilities:</u>		<u>Classification:</u>
Accounts payable and accrued liabilities	-	Other financial liabilities
Due to directors	-	Other financial liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

With the exception of Available-For-Sale ("AFS") financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, 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. In respect of AFS financial assets, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instrument measured at fair value on the statement of financial position consists of cash, which is measured at level 1 of the fair value hierarchy.

Foreign currency translation

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

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Notes to the Consolidated Financial Statements
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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 PRONOUNCEMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Effective for annual periods beginning on or after January 1, 2016

IAS 1 – Presentation of Financial Statements (“IAS 1”)

IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information; that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

Accounting Standards Effective for annual periods beginning on or after January 1, 2018

- New standard IFRS 9, Financial Instruments

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

- Amendments to IFRS 7, Financial Instruments: Disclosure

Amendment to require additional disclosures on transition from IAS 39 to IFRS 9.

5. PREPAID EXPENSES AND DEPOSITS

	December 31, 2015	December 31, 2014
Prepaid Expenses	\$ 900	\$ 900
Deposits	\$ 26,965	\$ 80,668
Total prepaid expenses and deposits	\$ 27,865	\$ 81,568

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6. DUE TO DIRECTORS

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

During the year ended December 31, 2015, the Company received \$77,837 (December 31, 2014 - \$Nil) in director loans. The directors do not intend to require repayment within the next 12 months.

7. RESTORATION LIABILITIES AND RECLAMATION BONDS

As at December 31, 2015, management estimated site restoration costs relating to evaluation work completed on the exploration of the Winston property to be \$13,985 (\$12,700 US) (December 31, 2014 - \$13,985 (\$12,700US)) which has been accrued. These costs are estimated by management and approved by the Montana Department of Environmental Quality ("DEQ"). The Company is required to issue reclamation bonds to the DEQ to cover these estimated restoration costs.

The reclamation bonds issued relating to this exploration amount to \$13,985 (\$12,700 US) (December 31, 2014 - \$13,985 (\$12,700US)). The reclamation bonds will be returned to the Company upon the DEQ being satisfied with the site restoration work performed.

8. SHARE SUBSCRIPTIONS

During the year ended December 31, 2015, the Company received \$Nil (2014 - \$80,000) for Class A Common shares to be issued at a value of \$0.10 each. 700,000 of the shares due as at December 31, 2014 were issued on February 11, 2015. 100,000 of the shares due as at December 31, 2014 were issued on March 30, 2015 (Note 9).

9. SHARE CAPITAL

Authorized

Unlimited Class A Common shares, voting
Unlimited Class B Common shares, non-voting
Unlimited Class A Preference shares, voting, redeemable
Unlimited Class B Preference shares, non-voting, redeemable
Unlimited Class C Preference shares, non-voting, redeemable

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9. SHARE CAPITAL (cont'd)

Issued and outstanding – Class A Common shares

	Number of Shares		Value
Balance, December 31, 2013	100	\$	2
Shares issued for cash ^(a-g)	15,470,000		245,000
Shares issued for mining lease agreements ^(h)	3,000,000		300,000
Share issue costs ⁽ⁱ⁾	-		(7,500)
Balance, December 31, 2014	18,470,100	\$	537,502
Shares issued for cash ^(j-m)	2,250,000		225,000
Broker shares issued ^(k)	27,000		2,700
Share issue costs ^(k)			(5,400)
Balance, December 31, 2015	20,747,100	\$	759,802

December 31, 2014:

- a) On September 8, 2014, the Company issued 800,000 Class A common shares at a subscription price of \$0.005 for each common share for proceeds of \$4,000.
- b) On September 29, 2014, the Company issued 8,200,000 Class A common shares at a subscription price of \$0.005 for each common share for proceeds of \$41,000. On September 29, 2014, the Company issued 3,200,000 Class A common shares at a subscription price of \$0.025 for each common share for proceeds of \$80,000.
- c) On October 8, 2014, the Company issued 2,660,000 Class A common shares at a subscription price of \$0.025 for each common share for proceeds of \$66,500.
- d) On October 21, 2014, the Company issued 100,000 Class A common shares at a subscription price of \$0.025 for each common share for proceeds of \$2,500.
- e) On October 27, 2014, the Company issued 250,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$25,000.
- f) On October 28, 2014, the Company issued 10,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$1,000.
- g) On December 1, 2014, the Company issued 250,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$25,000.
- h) On December 1, 2014, the Company issued 3,000,000 Class A common shares at a value of \$0.10 for each common share to enter into mining lease agreements for a total value of \$300,000 (Note 10).

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9. SHARE CAPITAL (cont'd)

- i) Share issue costs associated with the above financings total \$7,500 consisting of broker and legal fees.

December 31, 2015:

- j) On February 11, 2015 the Company issued 1,730,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$173,000. 700,000 of these shares were in settlement of share subscriptions received as at December 31, 2014 (Note 8).
- k) On February 25, 2015, the Company issued 270,000 Class A common shares at a subscription price of \$0.10 for each common share for gross proceeds of \$27,000. As part of the financing, the broker received, for no cash consideration, 27,000 Class A common shares valued at \$0.10 per share. In addition, broker fees in the amount of \$2,700 were paid by the Company.
- l) On March 30, 2015, the Company issued 150,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$15,000. 100,000 of these shares were in settlement of subscriptions received as at December 31, 2014 (Note 8).
- m) On April 15, 2015, the Company issued 100,000 Class A common shares at a subscription price of \$0.10 for each common share for proceeds of \$10,000.

10. EXPLORATION AND EVALUATION EXPENSES

<u>Properties, Montana USA</u>	<u>Year ended December 31, 2015</u>	<u>Year Ended December 31, 2014</u>
Holmes Property ^(a)	\$ 14,067	\$ 130,809
Winston Property ^(b)	64,660	617,884
	\$ 78,727	\$ 748,693

(a) Holmes Property:

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

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10. EXPLORATION AND EVALUATION EXPENSES (cont'd)

(a) Holmes Property (cont'd):

In addition to assuming all underlying payment obligations including governmental taxes, levies and fees, the Company will pay additional advance royalty payments of \$1,000US monthly from June 2014 to May 2019 [Paid - \$22,937 (19,000US) to December 31, 2015]. The H Lease is renewable for additional 5 year terms at \$20,000US per renewal with an advanced royalty payment of \$2,000US monthly.

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

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

(b) Winston Property:

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

In addition to assuming all underlying payment obligations including governmental taxes, levies and fees, the Company will pay additional advance royalty payments of \$1,000US monthly from August to October 2014 [Paid \$3,300 (\$3,000US)] and \$2,500US monthly from November 2014 to July 2019 [Paid \$37,100 (\$30,000US) accrued \$6,920 (\$5,000US) to December 31, 2015] based on minimum quarterly expenditures on the property of \$50,000US or \$200,000US annually [Paid \$426,596 (\$368,035US)].

The W Lease is renewable for additional 5 year terms at \$20,000US per renewal with an advanced royalty payment of \$5,000US monthly.

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

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

11. DEBT SETTLEMENT

During the year ended December 31, 2015, the Company confirmed reductions in the balances due to arms-length trade payables in the amount of \$5,230 (\$4,213US) (year ended December 31, 2014 - \$Nil). This resulted in a gain on settlement of \$5,230 (\$4,213US).

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12. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below, unless they have been disclosed elsewhere in the consolidated financial statements. During the year ended December 31, 2015, the Company incurred the following charges with related parties that include officers, directors or companies with common directors of the Company:

Included in exploration and evaluation expenses is \$7,467 [\$5,395 US] (2014 - 41,499 [\$36,474 US]) of amounts paid or payable to a director of the Company.

Included in accounts payable and accrued liabilities is \$10,373 [\$7,495 US] (December 31, 2014 - \$33,357 [\$28,753 US]) and \$74,988 (December 31, 2014 - \$Nil) due to directors of the Company. (See Note 6 for amounts due to directors).

13. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in these consolidated financial statements:

	2015	2014
Combined Federal and Provincial tax rate	<u>27%</u>	<u>27%</u>
Net loss for the year	<u>(283,886)</u>	<u>(809,653)</u>
Expected tax recovery at statutory rates	(76,649)	(214,558)
Increase (decrease) from:		
Non-deductible expenses	-	79,500
Share issuance costs incurred	(13,545)	(1,988)
Effect of higher tax rates in foreign jurisdiction	(9,173)	(33,683)
Change in deferred tax assets not recognized	<u>99,367</u>	<u>170,729</u>
	<u>-</u>	<u>-</u>

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13. INCOME TAXES (cont'd)

(b) Deferred Income Taxes

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2015	2014
Non-capital loss carry forwards	257,709	170,665
Share issuance costs	13,913	1,590
	<u>271,622</u>	<u>172,255</u>
Deferred tax assets not recognized	<u>(271,622)</u>	<u>(172,255)</u>
	<u>-</u>	<u>-</u>

No deferred tax asset has been recognized in respect of the above as it is not probable as at December 31, 2015 and 2014 that the Company will utilize these amounts.

(c) The Company has non-capital losses of approximately \$805,436 available to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

Year of Origin	Year of Expiry	Canada	United States	Total
2013	2033	5,759	-	5,759
2014	2034	62,051	449,102	511,153
2015	2035	<u>162,757</u>	<u>125,767</u>	<u>288,524</u>
		<u>230,567</u>	<u>574,869</u>	<u>805,436</u>

14. CAPITAL RISK MANAGEMENT

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

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

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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2015.

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15. 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:

	December 31,		December 31,
	2015		2014
Cash	\$ 102	\$	20,062
Prepaid expenses and deposits	\$ 10,000	\$	60,915
Accounts payable and accrued liabilities	\$ 77,537	\$	224,899
Due to directors	\$ 28,753	\$	-

The above balances were translated into US dollars at the year-end rate of \$1.3840 (December 31, 2014 - \$1.1601) Canadian dollars to every US dollar.

Based on the above net exposures as at December 31, 2015, 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 \$6,650 (2014 - \$8,300).

b) Liquidity risk:

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

As at December 31, 2015, the Company had a working capital deficiency of \$306,425 (December 31, 2014 – \$197,910). As at December 31, 2015, the Company had cash of \$1,909 (December 31, 2014 - \$26,368) to settle current liabilities of \$336,199 (December 31, 2014 - \$308,346) that are considered short term and expected to be settled within 30 to 90 days.

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

b) Liquidity risk (cont'd):

As a result, the Company has liquidity risk and is dependent on raising 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, reclamation bonds, accounts payable and accrued liabilities and due to directors approximate fair values due to the relatively short term maturities of these instruments.

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.

16. COMMITMENTS

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

2016	\$ 9,900
2017	1,800
Total	\$ 11,700

17. SUBSEQUENT EVENTS

- a) On January 8, 2016, the Company received loans totalling \$38,863 (27,500US) from directors of the Company used to reduce accounts payable. The loans are unsecured, non-interest bearing and with no specific terms or repayment.
- b) On January 12, 2016, the Company received loans totalling \$1,000 from directors or companies controlled by directors of the Company. These loans are unsecured, non-interest bearing and with no specific terms of repayment.
- c) On January 14, 2016, the Company received a loan totalling \$200 from a director of the Company. This loan is unsecured, non-interest bearing and with no specific terms of repayment.

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18. SUBSEQUENT EVENTS (cont'd)

- d) On February 2, 2016, the Company received loans totalling \$2,050 from directors of the Company. These loans are unsecured, non-interest bearing and with no specific terms of repayment.
- e) On February 4, 2016, the Company received loans totalling \$1,450 from directors of the Company. These loans are unsecured, non-interest bearing and with no specific terms of repayment.
- f) On February 18, 2016, the Company received a loan totalling \$1,000 from a director of the Company used to reduce accounts payable. This loan is unsecured, non-interest bearing and with no specific terms of repayment.
- g) On March 9, 2016, the Company received a loan totalling \$200 from a director of the Company. This loan is unsecured, non-interest bearing and with no specific terms of repayment.
- h) On March 15, 2016, the Company received loans totalling \$20,410 (15,000US) from directors of the Company. These loans are unsecured, non-interest bearing and with no specific terms of repayment.
- i) On March 17, 2016 the Company received a loan totalling \$300 from a director of the Company. This loan is unsecured, non-interest bearing and with no specific terms of repayment.
- j) On March 23, 2016, the Company completed its initial public offering ("IPO") of Class A Common shares. The Company issued 5,697,500 Class A common shares at a price of \$0.10 for each common share for gross proceeds of \$569,750. The Company paid a 10% cash commission to the agent in the amount of \$56,975. The Company issued 569,750 compensation warrants at a price of \$0.10 per warrant for a period of 5 years from closing of the IPO.