

# **Winston Gold Corp.**

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**(unaudited)**

**For the Three Months ended March 31, 2018 and 2017**

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

As at	March 31, 2018	December 31, 2017
<b>Assets</b>		
Current assets		
Cash	\$ 338,965	\$ 458,921
Prepaid expenses and deposits (Note 6)	87,246	9,000
<b>Total current assets</b>	<b>426,211</b>	<b>467,921</b>
Non-current assets		
Equipment (Note 7)	175,832	180,160
Reclamation bonds (Note 11)	61,545	59,815
<b>Total non-current assets</b>	<b>237,377</b>	<b>239,975</b>
<b>Total Assets</b>	<b>\$ 663,588</b>	<b>\$ 707,896</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 20)	\$ 360,085	\$ 375,714
Debenture interest payable (Note 10)	48,354	12,040
Shareholder loans (Note 9)	36,068	36,068
Due to directors, current (Note 8)	208,872	208,763
<b>Total current liabilities</b>	<b>653,379</b>	<b>632,585</b>
Non-current liabilities		
Debentures payable (Note 10)	1,093,977	1,011,053
Embedded derivative liability (Note 10)	44,179	23,461
Restoration liabilities (Note 11)	61,545	59,815
<b>Total non-current liabilities</b>	<b>1,199,701</b>	<b>1,094,329</b>
<b>Total Liabilities</b>	<b>1,853,080</b>	<b>1,726,914</b>
<b>Shareholders' Deficiency</b>		
Share capital (Note 13)	19,440,753	19,256,358
Share purchase warrants (Note 15)	894,876	714,877
Share subscriptions received (Note 12)	278,750	327,167
Contributed surplus (Note 16)	826,329	826,329
Accumulated other comprehensive income (loss)	1,384	(1,862)
Deficit	(22,631,584)	(22,141,887)
<b>Total Shareholders' Deficiency</b>	<b>(1,189,492)</b>	<b>(1,019,018)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 663,588</b>	<b>\$ 707,896</b>

*Nature of operations and going concern (Note 1)*  
*Subsequent events (Note 21)*

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

Approved by The Board of Directors on May 30, 2018

\_\_\_\_\_  
"Murray Nye"  
Director

\_\_\_\_\_  
"Max Polinsky"  
Director

## Winston Gold Corp.

(An Exploration Stage Company)

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the Three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(unaudited)

	Three months ended March 31,	
	2018	2017
<b>Expenses</b>		
Exploration and evaluation expenses (Note 17)	\$ 101,805	\$ 908,801
Office and administrative costs	41,156	85,547
Management fees (Note 18)	80,000	50,000
Professional and consulting fees	102,607	202,597
Travel	22,653	465
Depreciation expense (Note 7)	9,351	50,739
Interest and accretion expense (Note 10)	77,870	-
Share based payments (Note 14)	-	29,625
Loss on embedded derivative (Note 10)	20,718	-
Foreign exchange loss	33,537	11
Loss for the period	(489,697) \$	(1,327,785)
Foreign exchange on translation of subsidiaries	3,246	(126,420)
<b>Loss and comprehensive loss for the period</b>	- \$ (486,451) \$	(1,454,205)
<b>Basic and diluted earnings per share</b>	<b>\$(0.01)</b>	<b>\$(0.02)</b>
<b>Weighted average number of common shares outstanding</b>		
<b>Basic and diluted</b>	<b>87,619,012</b>	<b>79,536,021</b>

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

**Winston Gold Corp.**

(An Exploration Stage Company)

**Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)**

As at March 31, 2018

(Expressed in Canadian Dollars)

(unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Share Purchase Warrants	AOCI	Share Subscriptions Received	Deficit	Total
	(Note 13)	(Note 13)	(Note 16)	(Note 15)		(Note 12)		
<b>Balance, January 1, 2017</b>	<b>79,536,018</b>	<b>\$ 19,186,831</b>	<b>\$ 412,983</b>	<b>\$ 632,059</b>	<b>(57,840)</b>	<b>-</b>	<b>(18,587,481)</b>	<b>\$ 1,586,552</b>
Share based payments (Note 14)	-	-	29,625	-	-	-	-	29,625
Loss and comprehensive loss for the period	-	-	-	-	(126,420)	-	(1,327,785)	(1,454,205)
<b>Balance, March 31, 2017</b>	<b>79,536,018</b>	<b>19,186,831</b>	<b>442,608</b>	<b>632,059</b>	<b>(184,260)</b>	<b>-</b>	<b>(19,915,266)</b>	<b>161,972</b>
Share-based payments (Note 14)	-	-	383,721	-	-	-	-	383,721
Shares issued cash (Note 13)	3,372,104	168,605	-	-	-	-	-	168,605
Allocated to warrants	-	(82,818)	-	82,818	-	-	-	-
Share subscriptions received	-	-	-	-	-	327,167	-	327,167
Share issue costs (Note 13)	-	(16,260)	-	-	-	-	-	(16,260)
Loss and comprehensive loss for the period	-	-	-	-	182,398	-	(2,226,621)	(2,044,223)
<b>Balance, December 31, 2017</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 13)	7,310,001	365,500	-	-	-	(317,167)	-	48,333
Allocated to warrants	-	(179,999)	-	179,999	-	-	-	-
Share subscriptions received	-	-	-	-	-	268,750	-	268,750
Share issue costs (Note 13)	-	(1,106)	-	-	-	-	-	(1,106)
Loss and comprehensive loss for the period	-	-	-	-	3,246	-	(489,697)	(486,451)
<b>Balance, March 31, 2018</b>	<b>90,218,123</b>	<b>\$ 19,440,753</b>	<b>\$ 826,329</b>	<b>\$ 894,876</b>	<b>1,384</b>	<b>278,750</b>	<b>(22,631,584)</b>	<b>\$ (1,189,492)</b>

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

**Winston Gold Corp.**  
**(An Exploration Stage Company)**  
**Condensed Interim Consolidated Statements of Cash flows**  
**For the Three months ended March 31, 2018 and 2017**  
(Expressed in Canadian Dollars)  
(unaudited)

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2017</b>
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Loss for the period	\$ (489,697)	\$ (1,327,785)
Items not affecting cash:		
Depreciation	9,351	50,739
Accretion	41,905	-
Accrual of management fees	60,000	-
Share-based payments	-	29,625
Debenture interest payable	35,965	-
Unrealized foreign exchange	26,422	(126,514)
Loss on embedded derivative liability	20,718	-
Net changes in non-cash working capital items:		
Amounts receivable	-	8
Prepaid expenses and deposits	(78,246)	89,794
Accounts payable and accrued liabilities	(15,629)	(113,806)
<b>Net cash used in operating activities</b>	<b>(389,211)</b>	<b>(1,397,939)</b>
<b>Investing Activities</b>		
Purchase of equipment	-	(18,490)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(18,490)</b>
<b>Financing Activities</b>		
Proceeds from share issuances	48,333	-
Share issuance costs	(1,106)	-
Proceeds from share subscriptions received	268,750	-
Proceeds from shareholder loans	-	36,068
Proceeds from director loans	-	60,000
Repayment of director loans	(60,000)	-
<b>Net cash provided by financing activities</b>	<b>255,977</b>	<b>96,068</b>
<b>Effect of foreign exchange on cash</b>	<b>13,278</b>	<b>-</b>
<b>Net change in cash</b>	<b>(119,956)</b>	<b>(1,320,361)</b>
<b>Cash, beginning of period</b>	<b>458,921</b>	<b>1,344,052</b>
<b>Cash, end of period</b>	<b>\$ 338,965</b>	<b>\$ 23,691</b>
<b>Change in liabilities from financing activities (Note 5)</b>		
<b>Non-Cash Transactions</b>		
Issuance of warrants	179,999	-

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

## **Winston Gold Corp.**

(An Exploration Stage Company)

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

**For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian Dollars)

(unaudited)

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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 March 23, 2016, the common shares of the Company were approved for listing on the Canadian Securities Exchange (CSE) under the symbol WGC. 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. 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 unaudited condensed interim consolidated financial statements of the Company were approved by the Board of Directors on May 30, 2019.

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

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

The Company is in the exploration stage and has not generated revenue from operations. During the three months ended March 31, 2018, the Company incurred a net loss of \$489,697 (March 31, 2017 - \$1,327,785), and as of that date, the Company had a deficit of \$22,631,584 (December 31, 2017 - \$22,141,887), working capital deficiency of \$227,168 (December 31, 2017 - \$164,664) and negative cash flow from operations of \$389,211 (March 31, 2017 - negative \$1,397,845).

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

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(unaudited)

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## 2. BASIS OF PREPARATION

### Statement of Compliance

These unaudited condensed interim consolidated financial statements of the Company present the Company's financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2018.

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

A summary of the Company's significant accounting policies under IFRS are consistent with those of the Company's consolidated financial statements for the year ended December 31, 2017. Refer to those consolidated financial statements for significant accounting policies and recent accounting pronouncements. These policies have been consistently applied to all periods presented.

### Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries listed below. 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.

As at March 31, 2018, the subsidiaries of the Company are as follows:

Company Name	Country of Incorporation	% of Interest
Winston Gold Mining (USA) Corp.	Montana, USA	100%
Goldridge Holdings Limited	British Columbia, Canada	100%
Goldridge Holdings (USA) Limited	Nevada, USA	100%

### Basis of Measurement and Presentation

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars which is also the Company's and Goldridge's functional currency. Winston USA's functional currency is the US dollar. The unaudited condensed interim consolidated financial statements are prepared on the historical cost basis except for financial instruments classified at fair value through profit and loss ("FVTPL") which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

All intercompany transactions and balances are eliminated on consolidation.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(unaudited)

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### 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies in these condensed interim consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2017.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2018.

#### IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The adoption of IFRS 15 did not have an impact on the Company's consolidated financial statements.

#### IFRS 9 – Financial Instruments: Classification and Measurement:

##### Financial Instruments

On January 1, 2018 the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of the Company's financial assets on the transition date given the Company transacts exclusively with large international financial institutions and other organizations with strong credit ratings.

#### **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.



## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(unaudited)

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

#### Financial instruments (cont'd)

##### Financial assets (cont'd)

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 balance sheet 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.

##### 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) other financial liabilities. 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 balance sheet 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 other financial liabilities 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.

#### 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.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(unaudited)

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

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

##### *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:

- 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 unaudited condensed interim consolidated financial statements are the following:

##### 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.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(unaudited)

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

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

##### 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 Goldridge is the Canadian dollar. Management also determined that the functional currency of Winston USA is the US dollar.

##### Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

### 4. 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 three months ended March 31, 2018 and have not been applied in preparing these condensed interim consolidated financial statements. The new and revised standards are as follows:

- 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 Company is evaluating the effect of this standard on the Company's consolidated financial statements.
- IFRIC 23 – Uncertainty Over Income Tax Treatments: 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 Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

### 5. CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

The following is a continuity of changes in liabilities arising from financing activities for the three months ended March 31, 2018 and 2017:

**Winston Gold Corp.**

(An Exploration Stage Company)

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

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

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**5. CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES (cont'd)***For the three months ended March 31, 2018*

	January 1, 2018	Cash flows	Management fees accrual	Non-cash changes Foreign exchange movements	Amortization of deferred financing costs	March 31, 2018
	\$	\$	\$	\$	\$	\$
Shareholder loans	36,068	-	-	-	-	36,068
Due to directors	208,763	(60,000)	60,000	109	-	208,872
Non-convertible debentures	1,011,053	-	-	41,019	41,905	1,093,977
	<u>1,255,884</u>	<u>(60,000)</u>	<u>60,000</u>	<u>41,128</u>	<u>41,905</u>	<u>1,338,917</u>

*For the three months ended March 31, 2017*

	January 1, 2017	Cash flows	Management fees accrual	Non-cash changes Foreign exchange movements	Amortization of deferred financing costs	March 31, 2017
	\$	\$	\$	\$	\$	\$
Shareholder loans	-	36,068	-	-	-	36,068
Due to directors	11,455	60,000	-	(94)	-	71,361
Non-convertible debentures	-	-	-	-	-	-
	<u>11,455</u>	<u>96,068</u>	<u>-</u>	<u>(94)</u>	<u>-</u>	<u>107,429</u>

**6. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2018	December 31, 2017
Prepaid Expenses	\$ 78,246	\$ -
Deposits	\$ 9,000	\$ 9,000
<b>Total prepaid expenses and deposits</b>	<u>\$ 87,246</u>	<u>\$ 9,000</u>

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian Dollars)

(unaudited)

**7. EQUIPMENT***For the three months ended March 31, 2018*

<b>Cost</b>	<b>Exploration Equipment</b>	<b>Vehicles</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At December 31, 2017	250,875	9,158	1,278	261,311
Foreign exchange	7,259	265	37	7,561
<b>At March 31, 2018</b>	<b>258,134</b>	<b>9,423</b>	<b>1,315</b>	<b>268,872</b>

<b>Accumulated Amortization</b>	<b>Exploration Equipment</b>	<b>Vehicles</b>	<b>Computer Equipment</b>	<b>Total</b>
At December 31, 2017	(77,688)	(2,961)	(502)	(81,151)
Amortization for the period	(8,732)	(521)	(98)	(9,351)
Foreign exchange	(2,426)	(96)	(16)	(2,538)
<b>At March 31, 2018</b>	<b>(88,846)</b>	<b>(3,578)</b>	<b>(616)</b>	<b>(93,040)</b>

<b>Net Book Value</b>	<b>169,288</b>	<b>5,845</b>	<b>699</b>	<b>175,832</b>
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*For the year ended December 31, 2017*

<b>Cost</b>	<b>Exploration Equipment</b>	<b>Vehicles</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At December 31, 2016	328,935	8,459	1,368	338,762
Additions/Disposals	(58,401)	1,298	-	(57,103)
Foreign exchange	(19,659)	(599)	(90)	(20,348)
<b>At December 31, 2017</b>	<b>250,875</b>	<b>9,158</b>	<b>1,278</b>	<b>261,311</b>

<b>Accumulated Amortization</b>	<b>Exploration Equipment</b>	<b>Vehicles</b>	<b>Computer Equipment</b>	<b>Total</b>
At December 31, 2016	(46,991)	(1,208)	(196)	(48,395)
Amortization for the year	(39,915)	(1,895)	(331)	(42,141)
Additions/Disposals	5,714	-	-	5,714
Foreign exchange	3,504	142	25	3,671
<b>At December 31, 2017</b>	<b>(77,688)</b>	<b>(2,961)</b>	<b>(502)</b>	<b>(81,151)</b>

<b>Net Book Value</b>	<b>173,187</b>	<b>6,197</b>	<b>776</b>	<b>180,160</b>
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## **Winston Gold Corp.**

(An Exploration Stage Company)

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#### **7. EQUIPMENT (cont'd)**

During the three months ended March 31, 2018, the Company recorded depreciation expenses of \$9,351 (2017 - \$50,739).

#### **8. DUE TO DIRECTORS**

As at March 31, 2018, the amounts due to directors was \$205,000 and \$3,872 (USD 3,000) (December 31, 2017 - \$205,000 and \$3,763 [USD 3,000]). These loans are unsecured, non-interest bearing and have no fixed terms of repayment. (See Note 18).

During the three months ended March 31, 2018, the Company repaid \$60,000 in director loans (Jan-Mar, 2017 - \$Nil).

During the year ended December 31, 2017, the Company repaid \$89,018 and \$7,692 (USD 5,000) in director loans.

#### **9. SHAREHOLDER LOANS**

During the three months ended March 31, 2018, the Company received \$Nil (December 31, 2017 - \$36,068) in loans from certain shareholders. The amounts are unsecured, non-interest bearing, and have no fixed terms of repayment.

#### **10. DEBENTURES PAYABLE**

During the year ended December 31, 2017, the Company entered into non-convertible USD debentures payable agreements. The Series 1 debentures will mature on December 1, 2019 and the Series 2 debentures will mature on March 31, 2020. 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. 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.

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 three months ended March 31, 2018:

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**10. DEBENTURES PAYABLE (cont'd)**

	March 31, 2018	December 31, 2017
<b>Debtures:</b>	<b>\$</b>	<b>\$</b>
Non-convertible debtures, beginning of period	1,417,585	-
Additions	-	1,423,845
Foreign exchange	41,019	(6,260)
Non-convertible debtures, end of period	1,458,604	1,417,585
<b>Loan transaction costs:</b>		
Loan transaction costs, beginning of period	(406,532)	-
Costs incurred during the period	-	(470,031)
Accretion expense during the period	41,905	63,499
Loan transaction costs, end of period	(364,627)	(406,532)
<b>Non-convertible debtures balance (net of transaction costs), end of period</b>	<b>1,093,977</b>	<b>1,011,053</b>

During the three months ended March 31, 2018, the Company recorded \$35,965 (2017 – \$Nil) in interest expense.

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. During the three months ended March 31, 2018, the Company recorded an unrealized loss on embedded derivative liability in the amount of \$20,718 (Jan-Mar, 2017- \$Nil, Jan-Dec, 2017 - \$23,461).

**11. RESTORATION LIABILITIES AND RECLAMATION BONDS**

As at March 31, 2018, management estimated site restoration costs relating to evaluation work completed on the exploration of the Winston property to be \$61,545 (USD 47,680) (December 31, 2017 - \$59,815 (USD 47,680)) 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 \$61,545 (USD 47,680) (December 31, 2017 - \$59,815 (USD 47,680)). The reclamation bonds will be returned to the Company upon the DEQ being satisfied with the site restoration work performed.

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## 12. SHARE SUBSCRIPTIONS

During the three months ended March 31, 2018, the Company received \$268,750 for units to be issued at a value of \$0.05 each. Each unit consists of one common share and one 5-year warrant with an exercise price of \$0.10. These units were issued on April 17, 2018 (Note 21).

During the year ended December 31, 2017, the Company received \$327,167 for units to be issued at a value of \$0.05 each. Each unit consists of one common share and one 5-year warrant with an exercise price of \$0.10. \$317,167 of these units were issued on February 2, 2018 (Note 13) and \$10,000 of these units were issued on April 17, 2018 (Note 21).

## 13. SHARE CAPITAL

### Authorized

Unlimited Common shares, voting

Unlimited Preferred shares

### Issued and outstanding – Common shares

	Number of Shares		Value
<b>Balance, December 31, 2016</b>	<b>79,536,018</b>	<b>\$</b>	<b>19,186,831</b>
Shares issued for cash <sup>(c,d)</sup>	3,372,104		168,605
Share issue costs <sup>(e)</sup>	-		(16,260)
Allocated to warrants	-		(82,818)
<b>Balance, December 31, 2017</b>	<b>82,908,122</b>	<b>\$</b>	<b>19,256,358</b>
Shares issued for cash <sup>(a)</sup>	966,667		48,333
Shares issued for subscriptions due <sup>(a)</sup>	6,343,334		317,167
Share issue costs <sup>(b)</sup>			(1,106)
Allocated to warrants			(179,999)
<b>Balance, March 31, 2018</b>	<b>90,218,123</b>	<b>\$</b>	<b>19,440,753</b>

As at March 31, 2018, the Company has 2,398,530 (December 31, 2017 – 3,597,795) common shares held in escrow.



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

##### March 31, 2018

- a) On February 2, 2018, the Company issued 7,310,001 Units for total gross proceeds of \$365,500 at a value 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 \$179,999. 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.
- b) Share issue costs associated with the above financings total \$1,106.

##### December 31, 2017

- c) On August 24, 2017, concurrent with the continuation to British Columbia, the Company reclassified its share structure by renaming its Class A Common Shares as "Common Shares", cancelling its Class B Common Shares along with its Class A, Class B and Class C Preference Shares and creating an unlimited number of Preferred Shares with special rights and restrictions. Holders of the Class A Common Shares are now holders of the newly named Common Shares.
- d) On September 15, 2017, the Company issued 3,372,104 Units in settlement of subscriptions due in the amount of \$168,605 at a value of \$0.05 per unit (Note 13). Each Unit consists of one common share and one common share purchase warrant. The 3,372,104 warrants were assigned a relative fair value of \$82,818. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.10, exercisable on or before September 15, 2022.
- e) Share issue costs associated with the above financings total \$16,260 consisting of legal fees.

#### 14. 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 three months ended March 31, 2018.

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**14. STOCK OPTIONS (cont'd)**

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding December 31, 2016	3,150,000	\$0.27
Granted	6,530,000	\$0.05
Cancelled	(2,200,000)	(\$0.22)
Outstanding December 31, 2017 and March 31, 2018	7,480,000	\$0.10
Exercisable December 31, 2017 and March 31, 2018	7,480,000	\$0.10

No stock options were granted during the period ended March 31, 2018 (2017 – 100,000).

The total fair value of stock options granted during the period ended March 31, 2017 using the Black-Scholes option pricing model was \$20,116 or \$0.201 per option. During the period ended March 31, 2018, the Company recognized \$Nil (2017 - \$29,025) of share-based compensation. 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 March 31, 2018:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
150,000	\$0.20	August 24, 2021
900,000	\$0.40	December 15, 2021
750,000	\$0.05	November 20, 2022
280,000	\$0.10	November 27, 2022
5,400,000	\$0.05	November 27, 2022
7,480,000	\$0.10	

The following weighted average assumptions were used for the Black-Scholes valuation of the options granted during the period ended March 31, 2017.

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**14. STOCK OPTIONS (cont'd)**

	March 1, 2017
Share price	\$0.15
Risk-free interest rate	1.11%
Expected life of options	5 years
Volatility	218%
Dividend rate	0.0%
Exercise price	\$0.20
Fair value per option	\$0.2010
Forfeiture rate	0%

**15. SHARE PURCHASE WARRANTS**

The following is a continuity of share purchase warrant activity for the three months ended March 31, 2018:

Expiry Date	Exercise price	January 1, 2017	Granted	Exercised	Expired	March 31, 2018
March 23, 2021	\$0.10	551,030	-	-	-	551,030
August 3, 2018	\$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
<b>Total</b>		<b>6,038,187</b>	<b>7,310,001</b>	<b>-</b>	<b>-</b>	<b>13,348,188</b>
<b>Weighted average exercise price</b>			<b>\$0.10</b>			<b>\$0.12</b>

The following is a continuity of share purchase warrant activity for the year ended December 31, 2017:

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**15. SHARE PURCHASE WARRANTS (cont'd)**

Expiry Date	Exercise price	January 1, 2017	Granted	Exercised	Expired	December 31, 2017
March 23, 2021	\$0.10	551,030	-	-	-	551,030
August 3, 2018	\$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
<b>Total</b>		<b>2,666,083</b>	<b>3,372,104</b>	<b>-</b>	<b>-</b>	<b>6,038,187</b>
<b>Weighted average exercise price</b>			<b>\$0.10</b>			<b>\$0.13</b>

The Company had the following warrants outstanding as at March 31, 2018:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Fair Value</u>
551,030 (i)	\$0.10	March 23, 2021	\$ 52,102
1,000,000	\$0.20	August 3, 2018	\$ 47,643
40,000 (ii)	\$0.20	August 3, 2018	\$ 7,280
873,853 (ii)	\$0.15	September 23, 2018	\$ 450,703
201,200 (ii)	\$0.40	November 18, 2018	\$ 74,331
3,372,104	\$0.10	September 15, 2022	\$ 82,818
7,310,001	\$0.10	February 2, 2023	\$ 179,999
<b>13,348,188</b>			<b>\$ 894,876</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 period. Warrants included in Units are valued based on the relative fair value Allocation:

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**15. SHARE PURCHASE WARRANTS (cont'd)**

	February 2, 2018 (PP)
Share Price	\$0.04
Risk-free interest rate	2.05%
Expected life of warrants	5 years
Percentage of warrants (PP)	49.25%
Volatility	210%
Dividend rate	0.0%
Forfeiture rate	0.0%
Fair value per warrant	\$0.0246

**16. 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.

	March 31, 2018	December 31, 2017
Balance, beginning of period	\$ 826,329	\$ 412,983
Share-based payments	-	413,346
Balance, end of period	\$ 826,329	\$ 826,329

**17. EXPLORATION AND EVALUATION EXPENSES**

Properties	March 31, 2018	March 31, 2017
Holmes Property <sup>(a)</sup>	\$ 3,795	\$ 3,971
Winston Property <sup>(b)</sup>	91,814	892,691
Goldridge Property <sup>(c)</sup>	6,196	12,139
	\$ 101,805	\$ 908,801

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

##### (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 - \$60,467 (USD 47,000) to March 31, 2018]. The H Lease is renewable for additional 5 year terms at USD 20,000 per renewal with an advanced royalty payment of USD 2,000 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 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.

##### (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 \$139,073 (USD 105,000) to March 31, 2018] based on minimum quarterly expenditures on the property of USD 50,000 or USD 200,000 annually [Paid \$3,557,073 (USD 2,735,274) to March 31, 2018]. The minimum expenditures are paid up to 2027.

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

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

Winston Property (cont'd)

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 February 14, 2014, Goldridge entered into an asset purchase and sale agreement (the "Agreement") with Pan American Fertilizer Corp. ("Pan American") whereby Goldridge purchased the Goldridge property from Pan American for \$100,000.

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.

With respect to the 12 leased unpatented mining claims, the Company is required to make advance royalty payments of USD 8,800 annually. The life of the lease is for as long as the Company owns the rights to the Goldridge property. The lease for the 12 leased unpatented mining claims was originally entered into on June 3, 1993 with the first lessor and the lease was passed along to the Company on the acquisition of the Goldridge property on February 14, 2014. The Company will pay the lessor a production royalty of 3% of net smelter returns ("NSR"). The advance royalty payments are credited towards the 3% NSR payable on production. As the probability of production is currently remote, the advance royalty payment is currently expensed.

On August 1, 2016 (the "Effective Date"), Goldridge entered into a royalty agreement (the "Royalty Agreement") with 1051730 BC Ltd. (the "Royalty Holder"), an arm's length party to compensate the Royalty Holder for their assistance in acquiring the mining properties listed above. The Company agreed to grant a perpetual 1% net smelter return royalty (the "Royalty") on all ores, metals, minerals, mineral rights and other materials under or upon the surface or subsurface of the Goldridge property.

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

(c) Goldridge Property (cont'd):

The Company agreed to pay the Royalty Holder an annual advance royalty of USD 25,000 (the "Advance Royalty") due on each anniversary of the Effective Date. The amount of the Advance Royalty shall be adjusted every year on January 1st to reflect changes in the Consumer Price Index (the "CPI"), as computed by Statistics Canada for Vancouver, British Columbia, using as the base for the adjustment the CPI on the Effective Date. The Company has the option, at any time until the date that is five years following the commencement of commercial production, to purchase the Royalty from the Royalty Holder for a purchase price of USD 1,000,000 (the "Purchase Price"). The amount of the Purchase Price shall be adjusted every year on January 1st to reflect changes in the CPI, as computed by Statistics Canada for Vancouver, British Columbia, using as the base for the adjustment the CPI on the Effective Date. Any amount payable under the Royalty Agreement which is not paid on time shall be subject to interest at a rate of 15% per annum calculated from the due date until the date of the payment.

#### **18. RELATED PARTY TRANSACTIONS**

Transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below, unless they have been disclosed elsewhere in the unaudited condensed interim consolidated financial statements. During the three months ended March 31, 2018, 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 \$3,872 [\$3,000 US] (December 31, 2017 - \$3,763 [USD 3,000]) and \$205,000 (December 31, 2017 - \$205,000) due to directors of the Company. (See Note 8 for amounts due to directors).

During the three months ended March 31, 2018, management fees to directors were \$60,000 (Jan-Mar, 2017 - \$50,000).

During the three months ended March 31, 2018 and 2017, the Company did not grant stock options to directors and officers of the Company.

#### **19. 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.



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#### 19. CAPITAL RISK MANAGEMENT (cont'd)

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2018.

#### 20. 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>March 31,</b>	December 31,
	<b>2018</b>	2017
	<b>\$</b>	\$
Cash	<b>245,707</b>	317,643
Accounts payable and accrued liabilities	<b>148,464</b>	160,845
Debenture interest	<b>37,460</b>	9,597
Embedded derivative liability	<b>34,226</b>	18,702
Debenture principal	<b>1,130,000</b>	1,130,000
Due to directors	<b>3,000</b>	3,000

The above balances were translated into US dollars at the period-end rate of \$1.2908 (December 31, 2017 - \$1.2545) Canadian dollars to every US dollar.

Based on the above net exposures as at March 31, 2018, 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 \$71,470 (December 31, 2017 - \$63,010).

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

### b) Liquidity risk:

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

As at March 31, 2018, the Company had a working capital deficit of \$227,168 (December 31, 2017 – \$164,664). As at March 31, 2018, the Company had cash of \$338,965 (December 31, 2017 - \$458,921) to settle current liabilities of \$653,379 (December 31, 2017 - \$632,585) 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, reclamation bonds, accounts payable and accrued liabilities 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 and debentures payable, so its exposure to interest rate risks is insignificant. The Company's debentures payable bear a fixed interest rate.

## **Winston Gold Corp.**

(An Exploration Stage Company)

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

**For the three months ended March 31, 2018 and 2017**

(Expressed in Canadian Dollars)

(unaudited)

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#### **21. SUBSEQUENT EVENTS**

Subsequent to March 31, 2018, the Company:

- a) Repaid director loans in the amount of \$20,000.
- b) Issued 12,578,000 units at a price of \$0.05 each for gross proceeds of \$628,900. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share in the Company at an exercise price of \$0.10, exercisable on or before April 17, 2023.
- c) Repaid shareholder loans in the amount of \$36,068.
- d) Received \$12,500 (USD 10,000) for units to be issued at a price of \$0.05. Each unit consists of one common share and one common share purchase warrant.