

Winston Gold Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
(Expressed in Canadian Dollars)

(unaudited)

For the Three Months ended March 31, 2020 and 2019

Notice to Reader

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

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

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

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

As at	March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 201,506	\$ 131,135
Marketable securities (Note 7)	-	210,278
Deposits	23,187	21,988
Total current assets	224,693	363,401
Non-current assets		
Equipment (Note 8)	682,013	651,479
Reclamation bonds (Note 12)	42,743	37,769
Total non-current assets	724,756	689,248
Total Assets	\$ 949,449	\$ 1,052,649
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 21)	\$ 394,021	\$ 454,740
Debenture interest payable (Note 10)	35,550	13,454
Embedded derivative liability - current (Note 10)	-	109,447
Debentures payable, current (Note 10)	1,884,771	1,560,618
Due to directors (Note 9)	820,078	183,641
Total current liabilities	3,134,420	2,321,900
Non-current liabilities		
Due to director, long-term (Note 11)	425,610	389,640
Restoration liabilities (Note 12)	42,743	37,769
Total non-current liabilities	468,353	427,409
Total Liabilities	3,602,773	2,749,309
Shareholders' Deficiency		
Share capital (Note 15)	21,747,152	21,747,152
Share purchase warrants (Note 17)	2,562,992	2,562,992
Share subscriptions received (Note 14)	1,041,178	-
Contributed surplus (Note 18)	1,489,906	1,489,906
Accumulated other comprehensive income (loss)	29,926	(8,647)
Deficit	(29,524,478)	(27,488,063)
Total Shareholders' Deficiency	(2,653,324)	(1,696,660)
Total Liabilities and Shareholders' Deficiency	\$ 949,449	\$ 1,052,649

Nature of operations and going concern (Note 1)
Subsequent events (Note 26)

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

Approved by The Board of Directors on May 22, 2020

"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, 2020 and 2019

(Expressed in Canadian Dollars)

(unaudited)

	Three months ended March 31,	
	2020	2019
Expenses		
Exploration and evaluation expenses (Note 19, 20)	\$ 1,217,134	\$ 69,837
Office and administrative costs	52,600	33,313
Management fees (Note 21)	60,000	60,000
Professional and consulting fees	222,852	34,410
Travel	17,808	1,912
Depreciation expense (Note 8)	28,067	9,797
Interest and accretion expense (Note 10)	66,612	86,621
Shareholder loan interest (Note 21)	11,349	-
Debenture bonus expense (Note 10)	154,391	-
Share based payments (Notes 16, 21)	-	108,337
Loss (gain) on embedded derivative (Note 10)	(109,447)	8,084
Loss on disposal of securities (Note 7)	28,889	-
Foreign exchange (gain) loss	286,160	(28,011)
Loss for the period	(2,036,415)	(384,300)
Foreign exchange on translation of subsidiaries	38,573	(2,412)
Loss and comprehensive loss for the period	\$ (1,997,842)	\$ (386,712)
Basic and diluted loss per share	\$(0.012)	\$(0.004)
Weighted average number of common shares outstanding		
Basic and diluted	173,233,373	105,468,790

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' Deficiency
As at March 31, 2020
(Expressed in Canadian Dollars)

	Number of Shares (Note 15)	Share Capital (Note 15)	Contributed Surplus (Note 18)	Share Purchase Warrants (Note 17)	Accumulated Other Comprehensive Income	Share Subscriptions Received (Note 14)	Deficit	Total
Balance, January 1, 2019	104,546,123	\$ 19,802,404	\$ 1,333,097	\$ 681,699	\$ 5,773	678,158	(23,925,483)	(1,424,352)
Shares issued for cash (Note 15)	21,340,000	1,067,000	-	-	-	(678,158)	-	388,842
Allocated to warrants	-	(507,843)	-	507,843	-	-	-	-
Share based payments	-	-	108,337	-	-	-	-	108,337
Loss and comprehensive loss for the period	-	-	-	-	(2,412)	-	(384,300)	(386,712)
Balance, March 31, 2019	125,886,123	20,361,561	1,441,434	1,189,542	3,361	-	(24,309,783)	(1,313,885)
Shares issued for cash (Note 15)	47,327,250	2,794,530	-	-	-	-	-	2,794,530
Allocated to warrants	-	(1,347,341)	-	1,347,341	-	-	-	-
Shares issued for stock option exercise	20,000	1,681	(681)	-	-	-	-	1,000
Share issue costs (Note 15)	-	(63,279)	-	26,109	-	-	-	(37,170)
Share based payments	-	-	49,153	-	-	-	-	49,153
Loss and comprehensive loss for the period	-	-	-	-	(12,008)	-	(3,178,280)	(3,190,288)
Balance, December 31, 2019	173,233,373	21,747,152	1,489,906	2,562,992	(8,647)	-	(27,488,063)	(1,696,660)
Share subscriptions received (Note 14)	-	-	-	-	-	1,041,178	-	1,041,178
Loss and comprehensive loss for the period	-	-	-	-	38,573	-	(2,036,415)	(1,997,842)
Balance, March 31, 2020	173,233,373	\$ 21,747,152	\$ 1,489,906	\$ 2,562,992	\$ 29,926	1,041,178	(29,524,478)	(2,653,324)

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, 2020 and 2019

(Expressed in Canadian Dollars)

(unaudited)

	Three months ended March 31,	
	2020	2019
Cash (used in) provided by:		
Operating Activities		
Loss for the period	\$ (2,036,415)	\$ (384,300)
Items not affecting cash:		
Depreciation	28,067	9,797
Accrued interest expense	22,096	36,965
Accrued director loan interest expense	11,349	-
Debenture bonus payment	154,391	-
Accretion expense	23,521	49,388
Accrued management fees	60,000	60,000
Share-based payments	-	108,337
Restoration liability	1,487	-
Foreign exchange	179,756	(28,398)
Loss (gain) on embedded derivative	(109,447)	8,084
Loss on sale of marketable securities	28,889	-
Net changes in non-cash working capital items:		
Deposits	(1,199)	209
Accounts payable and accrued liabilities	(60,719)	(31,237)
Net cash used in operating activities	(1,698,224)	(171,155)
Investing Activities		
Sale of marketable securities	181,389	-
Reclamation bonds	(1,487)	-
Net cash provided by investing activities	179,902	-
Financing Activities		
Proceeds from share issuances	-	388,842
Share subscriptions received in advance	1,041,178	-
Proceeds from director loans	554,092	-
Repayment of director loans	(45,150)	(48,068)
Net cash provided by financing activities	1,550,120	340,774
Effect of foreign exchange on cash	38,573	(2,412)
Net change in cash	70,371	167,207
Cash, beginning of period	131,135	63,970
Cash, end of period	\$ 201,506	\$ 231,177
Change in liabilities from financing activities (Note 6)		
Non-Cash Transactions		
Issuance of private placement warrants	-	507,843
Share subscriptions applied to private placement	-	678,158

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, 2020 and 2019

(Expressed in Canadian Dollars)

(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Winston Gold Corp. (the “Company”) was incorporated in the Province of Manitoba on January 31, 2013 under the name of 6649930 Manitoba Ltd. On September 19, 2014, the Company changed its name to Winston Gold Mining Corp. On September 25, 2014, Winston Gold Mining USA Corp. was incorporated in the State of Montana, USA. and is a wholly owned subsidiary. On October 4, 2016, the Company acquired 100% of the outstanding shares of Goldridge Holdings Limited (“Goldridge”), incorporated in the Province of British Columbia, Canada, and its subsidiary, Goldridge Holdings (USA) Limited (“Goldridge USA”), incorporated in the State of Nevada, USA. On November 5, 2018, the Company sold 100% of its shares in Goldridge and Goldridge USA. Effective August 24, 2017 the Company continued out of the Province of Manitoba into the jurisdiction of the Province of British Columbia and changed its name to Winston Gold Corp. Effective September 1, 2017, the common shares of the Company commenced trading on the Canadian Securities Exchange under the same stock symbol of WGC. The Company is in the process of exploring mining claims which are under lease and has not yet determined whether or not the leased properties will contain economically recoverable reserves.

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

The unaudited condensed interim consolidated financial statements of the Company were approved by the Board of Directors on May 22, 2020.

Going Concern of Operations

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

The Company is in the exploration stage and has not generated revenue from operations. During the period ended March 31, 2020, the Company incurred a net loss of \$2,036,415 (March 31, 2019 - \$384,300), and as of that date, the Company had a deficit of \$29,524,478 (December 31, 2019 - \$27,488,063), working capital deficiency of \$2,909,727 (December 31, 2019 – deficiency of \$1,958,499) and negative cash flow from operations of \$1,698,224 (December 31, 2019 – negative \$2,627,566).

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

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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, 2020.

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 International Financial Reporting Interpretations Committee.

A summary of the Company's significant account policies under IFRS are consistent with those of the Company's consolidated financial statements for the year ended December 31, 2019. Refer to those consolidated financial statements for significant accounting policies and recent accounting pronouncements. These policies have been consistently applied to all periods presented

Basis of Measurement and Presentation

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

Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its 100% owned subsidiary Winston Gold Mining (USA) Corp. Under the guidance of IFRS 10 *Consolidated Financial Statements*, control is established by having power over the acquiree, exposure or rights to variable returns from its involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. They are de-consolidated from the date that control by the Company ceases. On November 5, 2018 the former subsidiaries Goldridge Holdings Limited and Goldridge Holdings (USA) were de-consolidated (Notes 7, 13, 19).

All intercompany transactions and balances are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

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(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd)

Judgments (cont'd)

i) Title to mineral property interests

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

ii) Going Concern

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

Estimates

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

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

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

Estimating useful life of equipment

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

Impairment

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

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.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd)

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

4. RECENT ACCOUNTING POLICIES

IFRS 16 - Leases

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

IFRIC 23 – Uncertainty Over Income Tax Treatments

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

5. FUTURE ACCOUNTING PRONOUNCEMENTS

Standards issued or amended but not yet effective

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended March 31, 2020 and have not been applied in preparing these unaudited condensed interim consolidated financial statements. The Company does not expect that these amendments will have a significant effect on its financial statements.

Winston Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

(unaudited)

6. CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

The following is a continuity of changes in liabilities arising from financing activities for the period ended March 31, 2020 and 2019:

For the three months ended March 31, 2020

	January 1, 2020	Cash flows	Management fees & interest accrual ¹	Non-cash changes Foreign exchange movements	Debenture bonus rolled into principal	Amortization of deferred financing costs	March 31, 2020
	\$	\$	\$	\$	\$	\$	\$
Due to directors	183,641	508,942	71,349	56,146	-	-	820,078
LT director loan	389,640		-	35,970	-	-	425,610
Non-convertible debentures	1,560,618	-	-	146,241	154,391	23,521	1,884,771
	<u>2,133,899</u>	<u>508,942</u>	<u>71,349</u>	<u>238,357</u>	<u>154,391</u>	<u>23,521</u>	<u>3,130,459</u>

¹ Management Fees - \$60,000. Interest - \$11,349 (USD 8,000).

For the three months ended March 31, 2019

	January 1, 2019	Cash flows	Management fees accrual	Non-cash changes Foreign exchange movements	Debenture bonus rolled into principal	Amortization of deferred financing costs	March 31, 2019
	\$	\$	\$	\$		\$	\$
Due to directors	98,592	(48,069)	60,000	(84)	-	-	110,440
Non-convertible debentures	1,315,952	-	-	(31,527)	-	49,388	1,333,813
	<u>1,414,544</u>	<u>(48,069)</u>	<u>60,000</u>	<u>(31,611)</u>	<u>-</u>	<u>49,388</u>	<u>1,444,252</u>

7. MARKETABLE SECURITIES

In connection with the sale of Goldridge Holdings (Note 13), MNRG was to issue 21,942,576 MNRG ordinary shares of which 19,748,318 shares were issued on July 30, 2019. These consideration shares were valued at \$0.00481 (GBX 0.3000) each for total consideration of \$94,899.

The following is a continuity of the revaluation of marketable securities for the year ended December 31, 2019 and loss on disposal for the period ended March 31, 2020:

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Notes to the Condensed Interim Consolidated Financial Statements**For the three months ended March 31, 2020 and 2019**

(Expressed in Canadian Dollars)

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7. MARKETABLE SECURITIES (cont'd)

	Date	Number of Shares	Value of securities	Gain/(Loss)
Balance at December 31, 2018	30-Dec-18	-		
Securities received subsequent to sale of subsidiary	30-Jul-19	19,748,318	\$ 94,899	
Value of Securities at December 31, 2019	31-Dec-19	19,748,318	\$ 210,278	
Unrealized gain on value of securities December 31, 2019				\$ 115,379
For the three months ended March 31, 2020			Proceeds on sale	
Disposal of securities	31-Jan-20	(19,748,318)	\$ 181,389	\$ (28,889)
Loss on disposal of securities March 31, 2020				\$ (28,889)

8. EQUIPMENT*For the three months ended March 31, 2020*

Cost	Building	Exploration Equipment	Vehicles	Computer Equipment	Total
	\$	\$	\$	\$	\$
At December 31, 2019	75,980	724,293	17,274	1,323	818,870
Foreign exchange	7,014	66,864	1,595	122	75,595
At March 31, 2020	82,994	791,157	18,869	1,445	894,465
Accumulated Amortization	Building	Exploration Equipment	Vehicles	Computer Equipment	Total
At December 31, 2019	-	(158,470)	(7,598)	(1,323)	(167,391)
Amortization for the period	(728)	(26,414)	(925)	-	(28,067)
Foreign exchange	(42)	(16,079)	(752)	(122)	(16,995)
At March 31, 2020	(769)	(200,963)	(9,275)	(1,445)	(212,452)
Net Book Value	82,225	590,194	9,594	-	682,013

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Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

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8. EQUIPMENT (cont'd)

For the year ended December 31, 2019

Cost	Building	Exploration Equipment	Vehicles	Computer Equipment	Total
	\$	\$	\$	\$	\$
At December 31, 2018	-	272,813	9,959	1,390	284,162
Additions/Disposals	77,624	474,610	7,961	-	560,195
Foreign exchange	(1,644)	(23,130)	(646)	(67)	(25,487)
At December 31, 2019	75,980	724,293	17,274	1,323	818,870

Accumulated Amortization		Exploration Equipment	Vehicles	Computer Equipment	Total
At December 31, 2018	-	(123,453)	(5,212)	(893)	(129,558)
Amortization for the year	-	(41,787)	(2,694)	(484)	(44,965)
Foreign exchange	-	6,771	308	53	7,132
At December 31, 2019	-	(158,470)	(7,598)	(1,323)	(167,391)

Net Book Value	75,980	565,823	9,676	-	651,479
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9. DUE TO DIRECTORS

As at March 31, 2020, the non-interest bearing amounts due to directors were \$42,672 (December 31, 2019 - \$27,822). These loans are unsecured and have no fixed terms of repayment. (Note 21). The interest bearing amounts due to directors were \$777,406 (USD 547,970) (December 31, 2019 - \$155,819 (USD 119,971)) These loans are unsecured, bear simple interest at 10% annually and have no fixed terms of repayment.

During the period ended March 31, 2020, the Company repaid \$45,150 in non-interest bearing director loans.

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

10. DEBENTURES PAYABLE

During the period ended December 31, 2017, the Company entered into non-convertible USD debentures payable agreements. The Series 1 debentures matured on December 1, 2019. The Series 2 debentures matured 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.

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Notes to the Condensed Interim Consolidated Financial Statements

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10. DEBENTURES PAYABLE (cont'd)

The interest is payable semi-annually on June 1 and December 1 of each year until maturity. On the maturity date, in addition to the interest rate, the Company is obligated to pay a bonus to the lenders in an amount equal to the difference between the Principal Amount and the gold price differential calculated as the difference between the gold price on the Closing Date and the gold price on the Maturity Date to a maximum of USD 1,600 per troy ounce. The Bonus Payment is calculated as Principal Amount x [(Gold Price on Maturity – Gold Price on Closing)/Gold Price on Closing]. If the debentures are not re-paid on the Maturity Dates, the Company shall pay 10% semi-annual interest on the outstanding portion of the principal amount on December 1 and June 1 of each year until the date of repayment. The bonus payment of \$119,266 (USD 89,694) related to the Series 1 debentures was recognized in profit or loss upon their maturity, rolled into the principal and Renewed Series 1 will mature on December 1, 2020. The bonus payment of \$154,391 (USD 108,826) related to the Series 2 debentures was recognized in profit or loss upon their maturity, rolled into the principal and Renewed Series 2 will mature on March 31, 2021. The Company has the option to repay any portion of the Renewed Series 1 and Series 2 debentures at any time.

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, 2020:

	March 31, 2020	December 31, 2019
Debentures:	\$	\$
Non-convertible debentures, beginning of period	1,584,139	1,541,546
Additions	154,391	119,266
Foreign exchange	146,241	(76,673)
Non-convertible debentures, end of period	1,884,771	1,584,139
Loan transaction costs:		
Loan transaction costs, beginning of period	(23,521)	(225,594)
Accretion expense during the period	23,521	202,073
Loan transaction costs, end of period	-	(23,521)
Non-convertible debentures balance (net of transaction costs), end of period	1,884,771	1,560,618

During the period ended March 31, 2020, the Company recorded \$43,092 (2019 - \$37,233) in interest expense.

The Company had 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 the gold price at the end of each reporting period, with changes recorded as unrealized gain or loss on embedded derivative liability in the statement of loss and comprehensive loss. As at March 31, 2020, the embedded derivative liability was extinguished with the recognition of the S2 bonus payment resulting in a gain on the S2 embedded derivative in the amount of \$109,447 based on the spot gold price of USD 1,584 (2019 – unrealized loss of \$8,084).

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11. DUE TO DIRECTORS – LONG TERM

On October 4, 2019, the Company received a director loan in the amount of \$389,640 (USD 300,000). The loan is secured by exploration equipment, namely a jumbo drill. The loan bears simple interest at an annual rate of 10%. Principal and interest is repayable monthly, amortized for 36 months commencing in 2020. Subsequent to the year ended December 31, 2019, the director entered into an amended loan agreement to extend the repayment date for 6 additional months with an option for further extensions. Effective July 4, 2020, if the monthly payments are not paid, interest shall accumulate on the outstanding principal balance. As at March 30, 2020, the long-term loan due to director is \$425,610 (USD 300,000).

12. RESTORATION LIABILITIES AND RECLAMATION BONDS

As at March 31, 2020, management estimated site restoration costs relating to evaluation work completed on the exploration of the Winston property to be \$42,743 (USD 30,128) (December 31, 2019 - \$37,769 (USD 29,080)) which has been accrued. These costs are estimated by management and approved by the Montana Department of Environmental Quality ("DEQ"). The Company is required to issue reclamation bonds to the DEQ to cover these estimated restoration costs.

The reclamation bonds issued relating to this exploration amount to \$42,743 (USD 30,128) (December 31, 2019 – 37,769 (USD 29,080)). The reclamation bonds will be returned to the Company upon the DEQ being satisfied with the site restoration work performed.

13. GAIN ON DISPOSAL OF SUBSIDIARY

On July 24, 2018, the Company entered into a Sale and Purchase Agreement with MetalNRG ("MNRG"), an arms-length third party, wherein MNRG purchased the Company's 100% interest in Goldridge Holdings Limited ("GRH") and its subsidiary, Goldridge Holdings (USA) Limited ("GRH US"), including all interests in the Gold Ridge Project located in SE Arizona, for cash consideration of USD 200,000 and 21,942,576 shares in MNRG of which 19,748,318 shares were received in fiscal 2019 (Note 7). The transaction closed on November 5, 2018 and Goldridge Holdings, including its subsidiary, was deconsolidated on that date. Cash consideration in the amount of \$261,920 (USD 200,000) was received. During the year ended December 31, 2018, the Company recognized a gain on the disposal of Goldridge Holdings and its subsidiary in the amount of \$324,126.

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

14. SHARE SUBSCRIPTIONS

During the period ended March 31, 2020, the Company received \$1,041,178 for units to be issued at \$0.08 each. These units were issued on April 28, 2020 (Note 26).

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

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15. SHARE CAPITAL

Authorized

Unlimited Common shares, voting

Unlimited Preferred shares

Issued and outstanding – Common shares

	Number of Shares		Value
Balance, December 31, 2018	104,546,123	\$	19,802,404
Shares issued for cash ^(a,b,c,d)	55,104,092		3,183,372
Shares issued for option exercise ^(f)	20,000		1,681
Shares issued for subscriptions due ^(a)	13,563,158		678,158
Share issue costs ^(e)	-		(63,279)
Allocated to warrants	-		(1,855,184)
Balance, December 31, 2019 and March 31, 2020	173,233,373	\$	21,747,152

As at March 31, 2020, the Company has Nil (December 31, 2019 – Nil) common shares held in escrow.

December 31, 2019

- a) On March 26, 2019, the Company issued 21,340,000 units at a price of \$0.05 per unit for total proceeds of \$1,067,000. \$678,158 of these proceeds were in settlement of share subscriptions due. Each unit consists of one common share and one common share purchase warrant. The 21,340,000 warrants were assigned a relative fair value of \$507,843, or \$0.0238 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.10, exercisable on or before March 26, 2024.
- b) On August 28, 2019, the Company issued 33,055,000 units at a price of \$0.05 per unit for total proceeds of \$1,652,750. Each unit consists of one common share and one common share purchase warrant. The 33,055,000 warrants were assigned a relative fair value of \$798,519, or \$0.02416 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.10, exercisable on or before August 28, 2024.
- c) On October 8, 2019, the Company issued 7,724,500 units at a price of \$0.08 per unit for total proceeds of \$617,960. Each unit consists of one common share and one common share purchase warrant. The warrants were assigned a relative fair value of \$298,332, or \$0.0386 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.20, exercisable on or before October 8, 2024.
- d) On December 23, 2019, the Company issued 6,547,750 at a price of \$0.08 per unit for total proceeds of \$523,820. Each unit consists of one common share and one common share purchase warrant. The warrants were assigned a relative fair value of \$250,490, or \$0.0383 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.20 exercisable on or before December 23, 2024.

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15. SHARE CAPITAL (cont'd)

December 31, 2019 (cont'd)

- e) Share issue costs associated with the above financings total \$63,279.
- f) On December 17, 2019, the Company issued 20,000 common shares pursuant to stock options exercised at a value of \$0.05 per option for proceeds of \$1,000. The fair value of these stock options is \$1,681 (Note 16).

16. 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, 2020.

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable December 31, 2018	6,630,000	\$0.10
Granted	3,700,000	\$0.05
Exercised	(20,000)	\$0.05
Outstanding and exercisable December 31, 2019 and March 31, 2020	10,310,000	\$0.09

No stock options were granted during the period ended March 31, 2020.

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

During the year ended December 31, 2019, 20,000 stock options were exercised at a value of \$0.05 per option (Note 15).

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16. STOCK OPTIONS (cont'd)

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, 2020:

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

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

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

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17. SHARE PURCHASE WARRANTS

The following is a continuity of share purchase warrant activity for the period ended March 31, 2020:

Expiry Date	Exercise price	January 1, 2020	Granted	Exercised	Expired	March 31, 2020
March 23, 2021	\$0.10	551,030	-	-	-	551,030
August 3, 2021	\$0.20	1,000,000	-	-	-	1,000,000
September 15, 2022	\$0.10	3,372,104	-	-	-	3,372,104
February 2, 2023	\$0.10	7,310,001	-	-	-	7,310,001
April 17, 2023	\$0.10	12,578,000	-	-	-	12,578,000
April 17, 2023	\$0.10	424,240	-	-	-	424,240
March 26, 2024	\$0.10	21,340,000	-	-	-	21,340,000
August 28, 2021	\$0.10	549,200	-	-	-	549,200
August 28, 2024	\$0.10	33,055,000	-	-	-	33,055,000
October 8, 2019	\$0.20	7,724,500	-	-	-	7,724,500
December 23, 2019	\$0.20	6,547,750	-	-	-	6,547,750
Total		94,451,825	-	-	-	94,451,825
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.12

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

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

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17. SHARE PURCHASE WARRANTS (cont'd)

The Company had the following warrants outstanding as at March 31, 2020:

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

(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 periods. Warrants included in units are valued based on the relative fair value allocation:

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

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18. 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, 2020	December 31, 2019
Balance, beginning of period	\$ 1,489,906	\$ 1,333,097
Share-based payments	-	157,490
Stock options exercised	-	(681)
Balance, end of period	\$ 1,489,906	\$ 1,489,906

19. EXPLORATION AND EVALUATION EXPENSES

Properties	March 31, 2020	March 31, 2019
Holmes Property ^(a)	\$ 8,070	\$ 3,988
Winston Property ^(b)	1,206,064	65,849
	\$ 1,214,134	\$ 69,837

(a) Holmes Property:

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

In addition to assuming all underlying payment obligations including governmental taxes, levies and fees, the Company will pay additional advance royalty payments of USD 1,000 monthly from June 2014 to May 2019 [Paid - \$77,548 (USD 60,000)]. The H Lease is renewable for additional 5 year terms at USD 20,000 per renewal [accrued \$26,754 (USD 20,000)] with an advanced royalty payment of USD 2,000 monthly from June 2019 to June 2024 [Paid \$29,163 (USD 22,000) to March 31, 2020].

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.

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19. EXPLORATION AND EVALUATION EXPENSES (cont'd)

(b) Winston Property:

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

In addition to assuming all underlying payment obligations including governmental taxes, levies and fees, the Company will pay additional advance royalty payments of USD 1,000 monthly from August to October 2014 [Paid \$3,300 (USD 3,000)] and USD 2,500 monthly from November 2014 to July 2019 [Paid \$188,643 (USD 142,500)] based on minimum quarterly expenditures on the property of USD 50,000 or USD 200,000 annually [Paid \$6,907,708 (USD 5,450,108) to March 31, 2020]. The minimum expenditures are paid up to 2041.

The W Lease is renewable for additional 5 year terms at USD 20,000 per renewal [Paid \$26,408 (USD 20,000)] with an advanced royalty payment of USD 5,000 monthly from August 2019 to August 2024 [Paid \$58,780 (USD 45,000)] to March 31, 2020.

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

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

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

(c) Goldridge Property:

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

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

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19. EXPLORATION AND EVALUATION EXPENSES (cont'd)

(c) Goldridge Property (cont'd):

On November 5, 2018, the Company sold all interest in the Goldridge Property to MNRG for cash consideration of \$261,920 (USD 200,000) and recognized a gain on disposal of \$324,126. On July 30, 2019, the Company recognized an additional gain for share consideration received of \$94,899. (Notes 7,13).

20. PARADINE MILL

On February 12, 2020, the Company entered into a five-year Mill Lease Agreement ("M-Lease") with Paradine LLC ("Paradine", a limited liability company), an arm's length party, whereby the Company leased the Paradine Mill, located in Broadwater County, Montana. In addition to assuming payment obligations of property and liability insurance and governmental taxes, levies and fees, the Company will pay monthly base rent of USD 20,000. In addition to base rent, the company shall pay a milling fee calculated by multiplying the number of short dry tons of ore processed during the month by the "Applicable Rate" for that month. The Applicable Rate shall be an amount equal to the Average Gold Price as shown on Kitco.com multiplied by .008. The applicable Rate shall not exceed USD 14.40 per short dry ton and shall not be less than USD 11.20 per short dry ton. The Company has the option to purchase the Mill on the last day of the term of the M-Lease. The monthly lease payments began March 1, 2020.

21. 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 period ended March 31, 2020, 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 \$42,672 (December 31, 2019 - \$27,822) non-interest bearing amounts along with \$777,406 (USD 547,970) (December 31, 2019 - \$155,819 (USD 119,971)) that bear a 10% annual simple interest. (See Note 9 for amounts due to directors).

Included in due to director-long term is \$425,610 (USD 300,000) (December 31, 2019 - \$389,640 (USD 300,000)) that bear a 10% annual simple interest. (See Note 11 for long term amounts due to directors)

During the period ended March 31, 2020, management fees to directors were \$60,000 (2019 - \$60,000) and loan interest to directors was \$11,349 (USD 8,000) (2019 - Nil).

During the period ended March 31, 2020 the Company did not grant stock options to directors and officers of the Company.

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

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22. CAPITAL RISK MANAGEMENT

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

The Company includes items in shareholders' deficiency in the definition of capital.

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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended March 31, 2020.

23. 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:

	March 31, 2020	December 31, 2019
	\$	\$
Cash	141,223	95,129
Deposits	10,000	10,000
Accounts payable and accrued liabilities	151,339	216,125
Debenture interest payable	25,058	10,359
Embedded derivative liability	-	84,268
Debenture principal	1,328,520	1,219,694
Due to directors	547,970	119,971
Long term loan payable to director	300,000	300,000

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

Currency risk (cont'd):

The above balances were translated into US dollars at the period-end rate of \$1.4187 (December 31, 2019 - \$1.2988) Canadian dollars to every US dollar.

Based on the above net exposures as at March 31, 2020, 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 \$156,175 (December 31, 2019 - \$119,833).

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, 2020, the Company had working capital deficiency of \$2,909,727 (December 31, 2019 – deficiency of \$1,958,499). As at March 31, 2020, the Company had cash of \$201,506 (December 31, 2019 - \$131,135) to settle current liabilities of \$3,134,420 (December 31, 2019 - \$2,321,900) 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.

b) Fair value risk:

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

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

c) Credit risk:

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

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

d) Interest rate risk:

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

24. FAIR VALUE HIERARCHY

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

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

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

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

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

25. COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

26. SUBSEQUENT EVENTS

Subsequent to March 31, 2020, the Company completed the following transactions:

- a) Repaid director loans in the amount of \$66,780.

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(unaudited)

26. SUBSEQUENT EVENTS (cont'd)

- b) On April 28, 2020, the Company issued 20,885,275 Units for total gross proceeds of \$1,670,822. \$1,041,178 of these proceeds were in settlement of share subscriptions due (Note 14). Each unit consists of one common share and one common share purchase warrant. The 20,885,275 warrants were assigned a fair value of \$802,356 or \$0.0384 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.12, on or before April 28, 2025.
- c) Paid \$120,614 (USD 88,202) in Series 1 debenture principal.
- d) Received \$1,567,000 for units to be issued at a value of \$0.06 each.