

# **Winston Gold Corp.**

(An Exploration Stage Company)

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**For the Years ended December 31, 2021 and 2020**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Winston Gold Corp.

### *Opinion*

We have audited the accompanying consolidated financial statements of Winston Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$14,059,166 during the year ended December 31, 2021 and, as of that date, the Company had a deficit of \$54,704,758, working capital deficiency of \$5,307,231 and negative cash flow from operations of \$10,551,666. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

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

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

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



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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

May 2, 2022

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

<b>As at</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Current assets		
Cash	\$ 114,829	\$ 1,694,849
Accounts receivable (Note 20)	13,543	94,782
Prepaid expenses and deposits (Note 7)	42,695	79,026
<b>Total current assets</b>	<b>171,067</b>	<b>1,868,657</b>
Non-current assets		
Equipment (Note 8)	958,267	1,155,352
Right-of-use asset (Note 9)	675,025	891,974
Reclamation bonds (Note 13)	86,476	56,572
<b>Total non-current assets</b>	<b>1,719,768</b>	<b>2,103,898</b>
<b>Total Assets</b>	<b>\$ 1,890,835</b>	<b>\$ 3,972,555</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,212,311	\$ 438,937
Due to related party (Note 20)	257,971	-
Loans advanced (Notes 10,20)	633,900	-
Loans advanced interest payable (Notes 10,20)	19,960	-
Debenture interest payable (Note 11)	10,431	11,011
Debentures payable (Note 11)	1,228,144	1,296,436
Lease liability (Note 9)	203,387	175,966
Due to directors (Note 10)	912,194	322,857
<b>Total current liabilities</b>	<b>5,478,298</b>	<b>2,245,207</b>
Non-current liabilities		
Due to director, long-term (Note 12)	380,340	381,960
Lease liability (Note 9)	559,892	766,530
Restoration liabilities (Note 13)	86,476	56,572
<b>Total non-current liabilities</b>	<b>1,026,708</b>	<b>1,205,062</b>
<b>Total Liabilities</b>	<b>6,505,006</b>	<b>3,450,269</b>
<b>Shareholders' Equity (Deficiency)</b>		
Share capital (Note 15)	35,473,223	29,445,331
Share purchase warrants (Note 17)	10,851,593	8,147,576
Share subscriptions received (Note 14)	375,000	670,400
Contributed surplus (Note 18)	3,551,150	3,019,784
Accumulated other comprehensive (loss)	(160,379)	(115,213)
Deficit	(54,704,758)	(40,645,592)
<b>Total Shareholders' Equity (Deficiency)</b>	<b>(4,614,171)</b>	<b>522,286</b>
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>	<b>\$ 1,890,835</b>	<b>\$ 3,972,555</b>

*Nature of operations and going concern (Note 1)*  
*Subsequent events (Note 25)*

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

Approved by The Board of Directors on May 2, 2022

"Murray Nye"

Director

"Joseph Carrabba"

Director

**Winston Gold Corp.****(An Exploration Stage Company)****Consolidated Statements of Loss and Comprehensive Loss****For the years ended December 31, 2021 and 2020**

(Expressed in Canadian Dollars)

	<b>Years ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Expenses</b>		
Exploration and evaluation expenses (Notes 9, 19, 20)	\$ 11,050,028	\$ 8,194,846
Office and administrative costs (Note 20)	438,269	468,193
Management fees (Note 20)	443,000	525,000
Professional and consulting fees	1,247,191	1,631,634
Travel	158,729	102,012
Depreciation expense (Note 8)	220,937	145,714
Interest and accretion expense (Note 11)	123,551	174,345
Shareholder loan interest (forgiveness) (Note 20)	(49,460)	52,428
Interest on loans advanced (Notes 19(e), 20)	19,960	-
Debenture bonus expense (Note 11)	-	154,391
Share based payments (Notes 16, 20)	717,272	1,625,727
Loss (gain) on embedded derivative (Note 11)	-	(109,447)
Gain on settlement of debt	(1,604)	-
Unrealized (gain) loss on revaluation of securities (Note 6)	-	113,415
Gain on disposal of securities (Note 6)	-	(84,526)
Foreign exchange (gain) loss	42,720	163,797
Total expenses	<b>(14,410,593)</b>	<b>(13,157,529)</b>
Recovery from sale of concentrate (Note 19)	351,427	-
Loss for the year	<b>(14,059,166)</b>	<b>(13,157,529)</b>
Foreign exchange on translation of subsidiaries	<b>(45,166)</b>	<b>(106,566)</b>
<b>Loss and comprehensive loss for the year</b>	<b>\$ (14,104,332)</b>	<b>\$ (13,264,095)</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.035)</b>	<b>\$(0.056)</b>
<b>Weighted average number of common shares outstanding</b>		
<b>Basic and diluted</b>	<b>399,880,785</b>	<b>237,829,919</b>

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

**Winston Gold Corp.**

(An Exploration Stage Company)

**Statements of Changes in Shareholders' Equity (Deficiency)****As at December 31, 2021**

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Share Purchase Warrants	Accumulated Other Comprehensive Income	Share Subscriptions Received	Deficit	Total
	(Note 15)	(Note 15)	(Note 18)	(Note 17)		(Note 14)		
<b>Balance, January 1, 2020</b>	<b>173,233,373</b>	<b>\$ 21,747,152</b>	<b>\$ 1,489,906</b>	<b>\$ 2,562,992</b>	<b>\$ (8,647)</b>	<b>-</b>	<b>\$ (27,488,063)</b>	<b>\$ (1,696,660)</b>
Shares issued for cash	152,852,621	12,018,493	-	-	-	-	-	12,018,493
Allocated to warrants	-	(5,794,273)	-	5,794,273	-	-	-	-
Shares issued for warrant exercise	10,598,000	1,321,527	-	(261,726)	-	-	-	1,059,801
Shares issued for stock option exercise	2,680,000	231,849	(95,849)	-	-	-	-	136,000
Broker shares issued	572,000	40,040	-	-	-	-	-	40,040
Share subscriptions received	-	-	-	-	-	670,400	-	670,400
Share issue costs	-	(119,457)	-	52,037	-	-	-	(67,420)
Share based payments	-	-	1,625,727	-	-	-	-	1,625,727
Loss and comprehensive loss for the year	-	-	-	-	(106,566)	-	(13,157,529)	(13,264,095)
<b>Balance, December 31, 2020</b>	<b>339,935,994</b>	<b>29,445,331</b>	<b>3,019,784</b>	<b>8,147,576</b>	<b>(115,213)</b>	<b>670,400</b>	<b>(40,645,592)</b>	<b>522,286</b>
Shares issued for cash	92,571,850	7,264,553	-	-	-	(670,400)	-	6,594,153
Allocated to warrants	-	(3,023,452)	-	3,023,452	-	-	-	-
Shares issued for warrant exercise	9,582,683	1,310,530	-	(291,595)	-	-	-	1,018,935
Shares issued for stock option exercise	3,300,000	511,289	(200,289)	-	-	-	-	311,000
Broker warrants expired	-	-	14,383	(14,383)	-	-	-	-
Warrants expired	-	47,643	-	(47,643)	-	-	-	-
Share issue costs	-	(82,671)	-	34,186	-	-	-	(48,485)
Share subscriptions received	-	-	-	-	-	375,000	-	375,000
Share-based payments	-	-	717,272	-	-	-	-	717,272
Loss and comprehensive loss for the year	-	-	-	-	(45,166)	-	(14,059,166)	(14,104,332)
<b>Balance, December 31, 2021</b>	<b>445,390,527</b>	<b>\$ 35,473,223</b>	<b>\$ 3,551,150</b>	<b>\$ 10,851,593</b>	<b>\$ (160,379)</b>	<b>\$ 375,000</b>	<b>\$ (54,704,758)</b>	<b>\$ (4,614,171)</b>

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

**Winston Gold Corp.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Cash flows**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Canadian Dollars)

	Years ended December 31,	
	2021	2020
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Loss for the year	\$ (14,059,166)	\$ (13,157,529)
Items not affecting cash:		
Depreciation	220,937	145,714
Right of use asset amortization	210,782	188,924
Accrued interest expense	10,431	11,011
Interest expense (forgiveness)	(49,460)	52,428
Interest on loans advanced	19,960	-
Accretion expense on debentures payable	-	23,522
Accretion on lease	127,599	134,249
Accrued management fees	330,000	505,000
Gain on debt settlement	(1,604)	-
Debenture bonus payment	-	154,391
Gain on embedded derivative	-	(109,447)
Foreign exchange	(434)	(44,254)
Unrealized loss on revaluation of marketable securities	-	113,415
Realized gain on sale of marketable securities	-	(84,526)
Share-based payments	717,272	1,625,727
Restoration liability	29,469	19,700
Net changes in non-cash working capital items:		
Accounts payable and accrued liabilities	1,774,978	1,034
Amounts receivable	81,239	(94,782)
Prepaid expenses	36,331	(57,038)
<b>Net cash used in operating activities</b>	<b>(10,551,666)</b>	<b>(10,572,461)</b>
<b>Investing Activities</b>		
Reclamation bond	(29,469)	(19,700)
Sale of marketable securities	-	181,389
Purchase of equipment	(30,894)	(690,903)
<b>Net cash used in investing activities</b>	<b>(60,363)</b>	<b>(529,214)</b>
<b>Financing Activities</b>		
Proceeds from share issuances	6,594,153	12,018,493
Share issuance costs	(48,485)	(27,379)
Exercise of stock options	311,000	136,000
Exercise of warrants	1,018,935	1,059,800
Share subscriptions received in advance	375,000	670,400
Lease payments	(300,870)	(269,669)
Proceeds from director loans	719,692	554,092
Repayment of debentures	(61,688)	(413,819)
Proceeds from related party advances	253,672	-
Proceeds from loans advanced	634,100	-
Interest payments	(11,011)	(13,454)
Repayment of director loans	(407,323)	(964,006)
<b>Net cash provided by financing activities</b>	<b>9,077,175</b>	<b>12,750,458</b>
<b>Effect of foreign exchange on cash</b>	<b>(45,166)</b>	<b>(85,069)</b>
<b>Net change in cash</b>	<b>(1,580,020)</b>	<b>1,563,714</b>
<b>Cash, beginning of year</b>	<b>1,694,849</b>	<b>131,135</b>
<b>Cash, end of year</b>	<b>\$ 114,829</b>	<b>\$ 1,694,849</b>

**Change in liabilities from financing activities (Note 5)**

<b>Non-Cash Transactions</b>	<b>\$</b>	<b>\$</b>
Issuance of private placement warrants	3,023,452	5,794,273
Issuance of broker shares	-	40,040
Issuance of broker warrants	34,186	52,037
Share subscriptions applied to private placement	670,400	-
Relative fair value of warrants exercised	291,595	261,726
Reversal of contributed surplus on exercise of options	200,289	95,849
Right of use asset/lease liability	-	1,128,965
Equipment purchase in accounts payable	-	(13,579)

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



# Winston Gold Corp.

(An Exploration Stage Company)

## Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Winston Gold Corp. (the “Company”) was incorporated in the Province of Manitoba on January 31, 2013. The Company is listed on the Canadian Securities Exchange under the symbol WGC. The Company is in the process of exploring mining claims which are under lease and has not yet determined whether or not the leased properties will contain economically recoverable reserves.

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

The consolidated financial statements of the Company were approved by the Board of Directors on May 2, 2022.

#### Going Concern of Operations

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

The Company is in the exploration stage and has not generated revenue from operations. During the year ended December 31, 2021, the Company incurred a net loss of \$14,059,166 (December 31, 2020 - \$13,157,529), and as of that date, the Company had a deficit of \$54,704,758 (December 31, 2020 - \$40,645,592), working capital deficiency of \$5,307,231 (December 31, 2020 – deficiency of \$376,550) and negative cash flow from operations of \$10,551,666 (December 31, 2020 – negative \$10,572,461).

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

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

### 2. BASIS OF PREPARATION

#### Statement of Compliance

These consolidated financial statements of the Company present the Company’s financial results of operations and financial position under IFRS as at and for the year ended December 31, 2021.

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

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

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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## 2. BASIS OF PREPARATION (cont'd)

### Basis of Measurement and Presentation

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

### Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries Winston Gold Mining USA Corp. and Western States Gold Milling Co. 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.

All intercompany transactions and balances are eliminated on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Significant Accounting Judgments and Estimates

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

#### *Judgments*

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

- 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.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

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

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

###### iii) Deferred exploration expenses

The Company applies judgment in assessing whether material uncertainties exist that would determine whether the Company has reached a phase of development activity whereby its exploration expenditures could be classified as assets. As at December 31, 2021, management has determined the projects have not reached the development stage.

###### *Estimates*

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

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

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

###### Valuation of right-of-use asset and lease liabilities

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include assessing lease agreements to determine the contract term and interest rate used for discounting of future cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using a discount rate representing the rate of a commercial mortgage rate, observed in the period when the lease agreement commences or is modified.

###### 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.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

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

###### 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.

###### 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 and Western States Gold Milling is the US dollar.

##### Financial instruments

###### Financial assets

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

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

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

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

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and reclamation bond are 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) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, due to related party, loans advanced, loan advanced interest payable, due to directors, debenture interest payable and debenture payable are classified as and carried on the statement of financial position at amortized cost. Embedded derivative liability is classified as FVTPL with subsequent changes in fair value recognized in profit or loss.

##### Restoration Liabilities

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

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

##### Share Capital

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

##### Income/Loss per Share

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

##### Equipment

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

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

Equipment is recorded at cost and amortized as follows:

- |                          |                             |
|--------------------------|-----------------------------|
| • Building               | Straight line over 27 years |
| • Exploration equipment  | Straight line over 7 years  |
| • Vehicles               | Straight line over 5 years  |
| • Computer Equipment     | Straight line over 4 years  |
| • Leasehold improvements | Over the lease term         |

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

##### Impairment

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

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units ("CGU's") for impairment purposes. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

##### Impairment (cont'd)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

##### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)**

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

##### **Leases (cont'd)**

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

##### **Warrants Issued in Equity Financing Transactions**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement.

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

The relative fair value of the warrant component of a unit is credited to share purchase warrants and the relative fair value of the common shares that were concurrently issued is credited to share capital. Warrants that are issued as payment for broker or agency fees are assigned a fair value based on the Black-Scholes option pricing mode, accounted for as share issue costs and credited to share purchase warrants.

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

##### **Provisions**

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company has recorded no provisions at December 31, 2021 and 2020 other than restoration liabilities.



## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)**

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

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

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

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

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

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

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

##### **Segmental Reporting**

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

##### **Deferred Taxes**

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

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

## **Winston Gold Corp.**

(An Exploration Stage Company)

### **Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)**

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

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

- Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

##### **Embedded Derivatives**

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

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

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

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

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

##### **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

#### 4. FUTURE ACCOUNTING PRONOUNCEMENTS

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

The Company has not applied the following revised IFRS that has been issued but was not yet effective at December 31, 2021. This accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.

- IAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* (effective January 1, 2022). The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss.

#### 5. CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

The following is a continuity of changes in liabilities arising from financing activities for the year ended December 31, 2021 and 2020:

##### *For the year ended December 31, 2021*

	January 1, 2021	Cash flows	Non-cash changes Management fees, interest & int. waiver <sup>1</sup>	Foreign exchange movements	December 31, 2021
	\$	\$	\$	\$	\$
Loans payable	-	634,100	-	(200)	633,900
Advance loan interest	-	-	19,960	-	19,960
Due to related party	-	253,672	-	4,299	257,971
Due to directors	322,857	312,369	280,540	(3,572)	912,194
LT director loan	381,960	-	-	(1,620)	380,340
Non-convertible debentures	1,296,436	(61,688)	-	(6,604)	1,228,144
	<b>2,001,253</b>	<b>1,138,453</b>	<b>300,500</b>	<b>(7,697)</b>	<b>3,432,509</b>

<sup>1</sup> Management Fees - \$330,000. Interest waiver - (\$49,460) (USD (43,545))

<sup>1</sup> RP interest - \$19,960 (USD 15,744)

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

For the year ended December 31, 2020

	January 1, 2020	Cash flows	Management fees & interest accrual <sup>1</sup>	Foreign exchange movements	Non-cash changes Debenture bonus rolled into principal	Amortization of deferred financing costs	December 31, 2020
	\$	\$	\$	\$	\$	\$	\$
Due to directors	183,641	(409,914)	557,428	(8,298)	-	-	322,857
LT director loan	389,640		-	(7,680)	-	-	381,960
Non-convertible debentures	1,560,618	(413,818)	-	(28,276)	154,391	23,521	1,296,436
	<u>2,133,899</u>	<u>(823,732)</u>	<u>557,428</u>	<u>(44,254)</u>	<u>154,391</u>	<u>23,521</u>	<u>2,001,253</u>

<sup>1</sup> Management Fees - \$330,000, Bonus - \$175,000. Interest - \$52,428 (USD 38,754).

#### 6. MARKETABLE SECURITIES

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

	Date	Number of Shares	Value of securities	Gain/(Loss)
			Proceeds on sale	
Disposal of securities	31-Jan-20	(19,748,318)	\$ 181,389	\$ (28,889)
Unrealized loss on value of securities on disposal	31-Jan-20		\$ (115,379)	
Unrealized gain on value of securities on disposal	31-Jan-20		\$ 30,853	\$ (84,526)
Net unrealized loss on value of securities	31-Dec-20			\$ (113,415)
Realized gain on disposal of securities	31-Dec-20			\$ 84,526
Net Loss on disposal of securities December 31, 2020				\$ (28,889)

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Canadian Dollars)**7. PREPAID EXPENSES AND DEPOSITS**

	December 31, 2021	December 31, 2020
Prepaid expenses	\$ -	\$ 25,464
Deposits	<u>42,695</u>	<u>53,562</u>
<b>Total</b>	<b>\$ <u>42,695</u></b>	<b>\$ <u>79,026</u></b>

**8. EQUIPMENT***For the year ended December 31, 2021*

Cost	Building	Leaseholds	Exploration Equipment	Vehicles	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
At December 31, 2020	89,761	68,581	1,217,401	47,612	33,803	1,457,158
Additions/Disposals	-	-	9,151	21,743	-	30,894
Foreign exchange	(381)	(291)	1,972	(6,985)	(143)	(5,828)
At December 31, 2021	89,380	68,290	1,228,524	62,370	33,660	1,482,224
<b>Accumulated Amortization</b>						
	Building	Leaseholds	Exploration Equipment	Vehicles	Computer Equipment	Total
At December 31, 2020	(2,759)	-	(283,956)	(12,978)	(2,113)	(301,806)
Amortization for the year	(3,273)	(16,881)	(178,707)	(11,675)	(10,401)	(220,937)
Foreign exchange	(26)	(191)	(814)	(76)	(107)	(1,214)
At December 31, 2021	(6,058)	(17,072)	(463,477)	(24,727)	(12,623)	(523,957)
<b>Net Book Value</b>	<b>83,322</b>	<b>51,218</b>	<b>765,046</b>	<b>37,643</b>	<b>21,038</b>	<b>958,267</b>

*For the year ended December 31, 2020*

Cost	Building	Leaseholds	Exploration Equipment	Vehicles	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
At December 31, 2019	75,980	-	724,293	17,274	1,323	818,870
Additions/Disposals	16,098	72,260	534,603	32,325	35,617	690,903
Foreign exchange	(2,317)	(3,679)	(41,495)	(1,987)	(3,137)	(52,615)
At December 31, 2020	89,761	68,581	1,217,401	47,612	33,803	1,457,158

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Canadian Dollars)**8. EQUIPMENT (cont'd)**

Accumulated Amortization	Building	Leaseholds	Exploration Equipment	Vehicles	Computer Equipment	Total
At December 31, 2019	-	-	(158,470)	(7,598)	(1,323)	(167,391)
Amortization for the year	(2,907)	-	(134,754)	(5,827)	(2,226)	(145,714)
Foreign exchange	148	-	9,268	447	1,436	11,299
At December 31, 2020	(2,759)	-	(283,956)	(12,978)	(2,113)	(301,806)
Net Book Value	87,002	68,581	933,445	34,634	31,690	1,155,352

**9. RIGHT OF USE ASSET AND LEASE LIABILITY**

On March 1, 2020, the Company entered into a right-of use lease with Paradine LLC (the "Lease") for use of the Paradine Mill in Montana (Note 19(c)). Under the terms of the Lease, the Company is obligated to pay USD 20,000 for a term of 60 months. When measuring the present value of lease obligations, the Company discounted the remaining lease payments using the estimated borrowing rate of 15%.

The following is a continuity of the right-of use asset and lease liability for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
<b>Right-of-use asset</b>	<b>\$</b>	<b>\$</b>
Right of use asset, beginning of year	<b>891,974</b>	-
Additions	-	1,128,965
Amortization	<b>(210,782)</b>	(188,924)
Foreign exchange	<b>(6,167)</b>	(48,067)
Right of use asset, end of year	<b>675,025</b>	891,974
<b>Lease Liability</b>		
Lease liability, beginning of year	<b>(942,496)</b>	-
Additions	-	(1,128,965)
Payments	<b>300,870</b>	269,669
Interest (exploration & evaluation expenses)	<b>(127,599)</b>	(134,249)
Foreign exchange	<b>5,946</b>	51,049
Lease liability, end of year	<b>(763,279)</b>	(942,496)
Lease liability-current	<b>(203,387)</b>	(175,966)
Lease liability-long term	<b>(559,892)</b>	(766,530)
Total Lease liability, end of year	<b>(763,279)</b>	(942,496)

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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#### 9. RIGHT OF USE ASSET AND LEASE LIABILITY (cont'd)

Undisclosed lease payments:

No later than one year	USD 240,000
Later than one year	USD 520,000

#### 10. DUE TO DIRECTORS

As at December 31, 2021, the non-interest bearing amounts due to directors were \$131,229 (December 31, 2020 - \$184,392) and \$780,965 (USD 616,000) (December 31, 2020 - \$Nil). These loans are unsecured and have no fixed terms of repayment. (Note 20). The interest bearing amounts due to directors were \$Nil (December 31, 2020 - \$138,465 (USD 108,754)). These loans were unsecured, bear simple interest at 10% annually and had no fixed terms of repayment.

During the year ended December 31, 2021, the interest due on the unsecured interest-bearing loans due to directors was forgiven and no further interest shall be charged.

During the year ended December 31, 2021, the Company repaid \$383,164 in director loans and \$24,159 (USD 20,000) in director loans. During the year ended December 31, 2021, \$719,692 (USD 566,000) in director loans was advanced.

During the year ended December 31, 2021, the Company received an advance loan from Ocean Partners in the amount of \$633,900 (USD 500,000) (2020 - \$Nil) on which interest was accrued in the amount of \$19,960 (USD 15,744) (2020 - \$Nil).

During the year ended December 31, 2020, the Company repaid \$348,430 in non-interest bearing director loans and \$615,576 (USD 469,971) in interest-bearing director loans. During the year ended December 31, 2020, \$554,092 (USD 420,000) in interest-bearing director loans was advanced.

#### 11. DEBENTURES PAYABLE

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

The interest was 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 was 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 matured 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 matured March 31, 2021. The Company has the option to repay any portion of the Renewed Series 1 and Series 2 debentures at any time.

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

#### 11. DEBENTURES PAYABLE (cont'd)

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

The following is a continuity of non-convertible debentures due from the Company for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
<b>Debentures:</b>	<b>\$</b>	<b>\$</b>
Non-convertible debentures, beginning of year	1,296,436	1,584,139
Additions	-	154,391
Payments	(61,688)	(413,818)
Foreign exchange	(6,604)	(28,276)
Non-convertible debentures, end of year	1,228,144	1,296,436
<b>Loan transaction costs:</b>		
Loan transaction costs, beginning of year	-	(23,521)
Accretion expense during the year	-	23,521
Loan transaction costs, end of year	-	-
<b>Non-convertible debentures balance (net of transaction costs), end of year</b>	<b>1,228,144</b>	<b>1,296,436</b>

During the year ended December 31, 2021, the Company recorded \$123,551 (2020 – \$150,824) in interest expense.

During the year ended December 31, 2021, the Company repaid \$Nil (2020 - \$413,818 (USD 310,270)) in S1 Debenture principal and \$61,688 (USD 49,529) (2020 - \$Nil) in S2 Debenture principal.

The Company had recorded an embedded derivative liability that arose from the Company's obligation to pay the Bonus Payment which was indexed to the gold price. The embedded derivative liability was 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 year ended December 31, 2020, the embedded derivative 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.

#### 12. 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 at the director's discretion. On January 4, 2020, the director entered into an amended loan agreement to extend the repayment date for 6 additional months with an option for further extensions. During the year ended December 31, 2020, the director extended the grace period indefinitely with interest not accumulating. As at December 31, 2021, the long-term loan due to director is \$380,340 (USD 300,000) (December 31, 2020 \$381,960 (USD 300,000)).



## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

#### 13. RESTORATION LIABILITIES AND RECLAMATION BONDS

As at December 31, 2021, management estimated site restoration costs relating to evaluation work completed on the exploration of the Winston and Hard Cash properties to be \$86,476 (USD 68,210) (December 31, 2020 - \$56,572 (USD 44,433)) 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 \$86,476 (USD 68,210) (December 31, 2020 - \$56,572 (USD 44,433)). The reclamation bonds will be returned to the Company upon the DEQ being satisfied with the site restoration work performed.

#### 14. SHARE SUBSCRIPTIONS

During the year ended December 31, 2021, the Company received \$375,000 for private placement units to be issued at a value of \$0.05 per unit.

During the year ended December 31, 2020, the Company received \$670,400 for private placement units to be issued at a value of \$0.125 per unit. These units were issued on January 21, 2021 (Note 15).

#### 15. SHARE CAPITAL

##### Authorized

Unlimited Common shares, voting

Unlimited Preferred shares

##### Issued and outstanding – Common shares

	Number of Shares		Value
<b>Balance, December 31, 2019</b>	<b>173,233,373</b>	<b>\$</b>	<b>21,747,152</b>
Shares issued for cash <sup>(a,b,c,d,e)</sup>	152,852,621		12,018,493
Shares issued for warrant exercise <sup>(h)</sup>	10,598,000		1,321,527
Shares issued for option exercise <sup>(g)</sup>	2,680,000		231,849
Broker shares issued <sup>(f)</sup>	572,000		40,040
Share issue costs <sup>(f)</sup>	-		(119,457)
Allocated to warrants	-		(5,794,273)
<b>Balance, December 31, 2020</b>	<b>339,935,994</b>	<b>\$</b>	<b>29,445,331</b>
Shares issued for cash <sup>(i,j,k,l,m)</sup>	92,571,850		7,264,553
Shares issued for warrant exercise <sup>(o)</sup>	9,582,683		1,310,530
Shares issued for option exercise <sup>(p)</sup>	3,300,000		511,289
Share issue costs <sup>(n)</sup>			(82,671)
Warrants expired <sup>(q)</sup>			47,643
Allocated to warrants			(3,023,452)
<b>Balance, December 31, 2021</b>	<b>445,390,527</b>	<b>\$</b>	<b>35,473,223</b>

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

##### December 31, 2020

- a) On April 28, 2020, the Company issued 20,885,275 units for total gross proceeds of \$1,670,822. Each unit consists of one common share and one common share purchase warrant. The 20,885,275 warrants were assigned a relative 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.
- b) On May 29, 2020, the Company issued 40,446,333 units for total gross proceeds of \$2,426,780. Each unit consists of one common share and one common share purchase warrant. The 40,446,333 warrants were assigned a relative fair value of \$1,168,718 or \$0.0289 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 May 29, 2025.
- c) On August 28, 2020, the Company issued 46,922,000 units for total gross proceeds of \$3,284,540. Each unit consists of one common share and one common share purchase warrant. The 46,922,000 warrants were assigned a relative fair value of \$1,587,027 or \$0.0338 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 August 28, 2025. The Company also issued 572,000 finders units (Note 15 (f)).
- d) On October 16, 2020, the Company issued 26,815,013 units for total gross proceeds of \$2,413,351. Each unit consists of one common share and one common share purchase warrant. The 26,815,013 warrants were assigned a relative fair value of \$1,169,285 or \$0.0436 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.14 on or before October 16, 2025.
- e) On December 4, 2020, the Company issued 17,784,000 units for total gross proceeds of \$2,223,000. Each unit consists of one common share and one common share purchase warrant. The 17,784,000 warrants were assigned a relative fair value of \$1,066,887 or \$0.0600 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.20 on or before December 4, 2025.
- f) Share issue costs associated with the above financings total \$119,457, including 572,000 finders shares valued at \$40,040 or \$0.07 per share and 572,000 finders warrants valued at \$52,037 or \$0.091 per warrant.
- g) During the year ended December 31, 2020, the Company issued 2,580,000 common shares pursuant to stock options exercised at a value of \$0.05 per option and 100,000 common shares pursuant to stock options exercised at a value of \$0.07 per option for total proceeds of \$136,000. The fair value of these stock options is \$95,849, a weighted average value of \$0.0358 per option. (Note 16)
- h) During the year ended December 31, 2020, the Company issued 10,598,000 common shares pursuant to warrants exercised at a value of \$0.10 per warrant for total proceeds of \$1,059,800. The relative fair value of these warrants is \$261,727, a weighted average value of \$0.0247 per warrant (Note 17).

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

##### December 31, 2021

- i) On January 21, 2021, the Company issued 8,038,200 units at a price of \$0.125 per unit for total gross proceeds of \$1,004,775, \$670,400 of which was in settlement of share subscriptions due (Note 14). Each unit consists of one common share and one common share purchase warrant. The 8,038,200 warrants were assigned a relative fair value of \$477,092, or \$0.0594 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 January 21, 2026.
- j) On February 18, 2021, the Company issued 28,816,983 units at a price of \$0.09 per unit for total gross proceeds of \$2,593,528. Each unit consists of one common share and one common share purchase warrant. The 28,816,983 warrants were assigned a relative fair value of \$1,253,402 or \$0.0435 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.13, exercisable on or before February 18, 2026. Share issue costs associated with this financing total \$58,186, including 266,666 finders warrants valued at \$34,186 or \$0.1282 per warrant.
- k) On July 5, 2021, the Company issued 16,300,000 units at a price of \$0.075 per unit for total gross proceeds of \$1,222,500. Each unit consists of one common share and one common share purchase warrant. The 16,300,000 warrants were assigned a relative fair value of \$582,230 or \$0.0357 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.12, exercisable on or before July 5, 2026.
- l) On August 30, 2021, the Company issued 18,916,667 units at a price of \$0.075 per unit for total gross proceeds of \$1,418,750. Each unit consists of one common share and one common share purchase warrant. The 18,916,667 warrants were assigned a relative fair value of \$421,629 or \$0.0223 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.105, exercisable on or before August 30, 2023.
- m) On November 16, 2021, the Company issued 20,500,000 units at a price of \$0.05 per unit for total gross proceeds of \$1,025,000. Each unit consists of one common share and one common share purchase warrant. The 20,500,000 warrants were assigned a relative fair value of \$289,099 or \$0.014 per warrant. Each warrant entitles the holder to purchase one additional share in the Company at an exercise price of \$0.09, exercisable on or before November 16, 2023.
- n) Share issue costs associated with the above financings total \$82,671, including 266,666 finders warrants valued at \$34,186 or \$0.1282 per warrant.
- o) Received \$1,018,935 pursuant to 9,582,683 warrants exercised at a weighted average exercise price of \$0.1063 each. The relative fair value of these warrants is \$291,595, a weighted average value of \$0.0304 per warrant.
- p) Received \$311,000 pursuant to 3,300,000 stock options exercised at a weighted average exercise price of \$0.09 each. The fair value of these options is \$200,289, a weighted average value of \$0.0607 per option.
- q) During the year ended December 31, 2021, 1,000,000 warrants expired with a relative fair value of \$47,643 or \$0.0464 per warrant.

## Winston Gold Corp.

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

#### 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 years ended December 31, 2021 and 2020.

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable December 31, 2019	10,310,000	\$0.09
Granted	13,350,000	\$0.14
Exercised	(2,680,000)	\$0.05
<hr/>		
Outstanding and exercisable December 31, 2020	20,980,000	\$0.13
Granted	8,250,000	\$0.11
Expired	(1,050,000)	\$0.37
Exercised	(3,300,000)	\$0.09
<hr/>		
Outstanding and exercisable December 31, 2021	24,880,000	\$0.11

During the year ended December 31, 2021, the Company granted 8,250,000 (2020 – 13,350,000) stock options under its Stock Option Plan to directors, officers, employees and consultants. Options vested 100% on the date granted.

The total fair value of share-based payment expense on stock options granted to employees and consultants of the Company for the year ended December 31, 2021 is \$717,272 (December 31, 2020 – \$1,625,727).

During the year ended December 31, 2021, 3,300,000 stock options were exercised at a weighted average exercise price of \$0.06 each (Note 15(p)).

During the year ended December 31, 2020, 2,580,000 stock options were exercised at a value of \$0.05 per option and 100,000 options were exercised at a value of \$0.07 per option (Note 15 (g)).

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

The Company had the following stock options outstanding as at December 31, 2021:

**Winston Gold Corp.**

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**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian Dollars)****16. STOCK OPTIONS (cont'd)**

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
280,000	\$0.10	November 27, 2022
3,250,000	\$0.05	November 27, 2022
1,200,000	\$0.05	March 26, 2024
650,000	\$0.07	August 28, 2024
4,150,000	\$0.10	April 28, 2025
3,000,000	\$0.12	July 31, 2025
6,100,000	\$0.18	October 27, 2025
1,000,000	\$0.125	January 21, 2026
5,250,000	\$0.10	May 26, 2026
<u>24,880,000</u>	<u>\$0.11</u>	

The following weighted average assumptions were used for the Black-Scholes valuation of the options granted during the year ended December 31, 2021 and 2020.

	April 28, 2020	July 31, 2020	October 27, 2020	January 21, 2021	February 2, 2021	May 26, 2021
Share price	\$0.075	\$0.120	\$0.175	\$0.120	\$0.115	\$0.095
Risk-free interest rate	0.39%	0.26%	0.32%	0.36%	0.15%	0.71%
Expected life of options	5 years	5 years	5 years	5 years	2 years	5 years
Volatility	168%	164%	162%	159%	142%	157%
Dividend rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Exercise price	\$0.10	\$0.12	\$0.18	\$0.125	\$0.120	\$0.100
Fair value per option	\$0.0698	\$0.1121	\$0.1628	\$0.1108	\$0.0736	\$0.0875
Forfeiture rate	0%	0%	0%	0%	0%	0%

**Winston Gold Corp.**

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**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Canadian Dollars)**17. SHARE PURCHASE WARRANTS**

The following is a continuity of share purchase warrant activity for the year ended December 31, 2021:

Expiry Date	Exercise price	January 1, 2021	Granted	Exercised	Expired	December 31, 2021
March 23, 2021	\$0.10	551,030	-	(549,350)	(1,680)	-
August 3, 2021	\$0.20	1,000,000	-	-	(1,000,000)	-
September 15, 2022	\$0.10	2,852,104	-	-	-	2,852,104
February 2, 2023	\$0.10	7,310,001	-	(2,550,000)	-	4,760,001
April 17, 2023	\$0.10	8,600,000	-	(1,650,000)	-	6,950,000
April 17, 2023	\$0.10	424,240	-	-	-	424,240
March 26, 2024	\$0.10	21,240,000	-	-	-	21,240,000
August 28, 2021	\$0.10	299,200	-	-	(299,200)	-
August 28, 2024	\$0.10	27,305,000	-	(1,800,000)	-	25,505,000
October 8, 2024	\$0.20	7,724,500	-	-	-	7,724,500
December 23, 2024	\$0.20	6,547,750	-	-	-	6,547,750
April 28, 2025	\$0.12	20,885,275	-	-	-	20,885,275
May 29, 2025	\$0.12	40,446,333	-	(1,433,333)	-	39,013,000
August 28, 2022	\$0.12	572,000	-	-	-	572,000
August 28, 2025	\$0.12	46,922,000	-	(1,600,000)	-	45,322,000
October 16, 2025	\$0.14	26,815,013	-	-	-	26,815,013
December 4, 2025	\$0.20	17,784,000	-	-	-	17,784,000
January 21, 2026	\$0.20	-	8,038,200	-	-	8,038,200
February 18, 2026	\$0.13	-	28,816,983	-	-	28,816,983
February 18, 2023	\$0.13	-	266,666	-	-	266,666
July 5, 2026	\$0.12	-	16,300,000	-	-	16,300,000
August 30, 2023	\$0.105	-	18,916,667	-	-	18,916,667
November 16, 2023	\$0.09	-	20,500,000	-	-	20,500,000
<b>Total</b>		<b>237,278,446</b>	<b>92,838,516</b>	<b>(9,582,683)</b>	<b>(1,300,880)</b>	<b>319,233,399</b>
<b>Weighted average exercise price</b>			<b>\$0.12</b>	<b>\$0.11</b>	<b>\$0.18</b>	<b>\$0.13</b>

**Winston Gold Corp.**

(An Exploration Stage Company)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian Dollars)****17. SHARE PURCHASE WARRANTS (cont'd)**

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

Expiry Date	Exercise price	January 1, 2020	Granted	Exercised	Expired	December 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	-	(520,000)	-	2,852,104
February 2, 2023	\$0.10	7,310,001	-	-	-	7,310,001
April 17, 2023	\$0.10	12,578,000	-	(3,978,000)	-	8,600,000
April 17, 2023	\$0.10	424,240	-	-	-	424,240
March 26, 2024	\$0.10	21,340,000	-	(100,000)	-	21,240,000
August 28, 2021	\$0.10	549,200	-	(250,000)	-	299,200
August 28, 2024	\$0.10	33,055,000	-	(5,750,000)	-	27,305,000
October 8, 2024	\$0.20	7,724,500	-	-	-	7,724,500
December 23, 2024	\$0.20	6,547,750	-	-	-	6,547,750
April 28, 2025	\$0.12	-	20,885,275	-	-	20,885,275
May 29, 2025	\$0.12	-	40,446,333	-	-	40,446,333
August 28, 2022	\$0.12	-	572,000	-	-	572,000
August 28, 2025	\$0.12	-	46,922,000	-	-	46,922,000
October 16, 2025	\$0.14	-	26,815,013	-	-	26,815,013
December 4, 2025	\$0.20	-	17,784,000	-	-	17,784,000
<b>Total</b>		<b>94,451,825</b>	<b>153,424,621</b>	<b>(10,598,000)</b>	<b>-</b>	<b>237,278,446</b>
<b>Weighted average exercise price</b>			<b>\$0.13</b>	<b>\$0.10</b>		<b>\$0.13</b>

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

#### 17. SHARE PURCHASE WARRANTS (cont'd)

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

	April 28, 2020 (PP)	May 29, 2020 (PP)	August 28, 2020 (finders)	August 28, 2020 (PP)	October 16, 2020 (PP)	December 4, 2020 (PP)
Share Price	\$0.075	\$0.090	\$0.125	\$0.125	\$0.180	\$0.170
Risk-free interest rate	0.39%	0.32%	0.32%	0.32%	0.30%	0.43%
Expected life of warrants	5 years	5 years	2 years	5 years	5 years	5 years
Percentage of warrants (PP)	48.02%	48.16%	N/A	48.32%	48.45%	47.99%
Volatility	168%	167%	153%	164%	163%	161%
Dividend rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Forfeiture rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fair value per warrant	\$0.0384	\$0.0289	\$0.0910	\$0.0338	\$0.0436	\$0.0600

	January 21, 2021 (PP)	February 18, 2021 (PP)	February 18, 2021 (finders)	July 5, 2021 (PP)	August 30, 2021 (PP)	November 16, 2021 (PP)
Share Price	\$0.120	\$0.130	\$0.130	\$0.120	\$0.105	\$0.090
Risk-free interest rate	0.36%	0.47%	0.21%	0.89%	0.39%	1.02%
Expected life of warrants	5 years	5 years	2 years	5 years	2 years	2 years
Percentage of warrants (PP)	47.48%	48.33%	N/A	47.63%	29.72%	28.20%
Volatility	159%	159%	143%	158%	103%	102%
Dividend rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Forfeiture rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fair value per warrant	\$0.0593	\$0.0435	\$0.1585	\$0.0357	\$0.0223	\$0.0141

#### 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.

	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ 3,019,784	\$ 1,489,906
Share-based payments	717,272	1,625,727
Broker warrants expired	14,383	-
Stock options exercised	(200,289)	(95,849)
Balance, end of year	\$ 3,551,150	\$ 3,019,784



## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

#### 19. EXPLORATION AND EVALUATION EXPENSES

Properties	December 31, 2021	December 31, 2020
Holmes Property <sup>(a)</sup>	\$ 31,127	\$ 33,291
Winston Property <sup>(b)</sup>	8,486,492	7,426,529
Paradine Mill <sup>(c)</sup>	2,160,705	735,026
Hard Cash Property <sup>(d)</sup>	20,277	-
	<b>\$ 10,698,601</b>	<b>\$ 8,194,846</b>

(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 [paid \$26,754 (USD 20,000)] with an advanced royalty payment of USD 2,000 monthly from June 2019 to June 2024 [Paid \$83,373 (USD 64,000) to December 31, 2021].

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

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

## Winston Gold Corp.

(An Exploration Stage Company)

### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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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 \$21,378,585 (USD 16,725,021) to December 31, 2021].

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 \$196,194 (USD 150,000)] to December 31, 2021.

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.

## Winston Gold Corp.

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

##### (c) 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 mill repairs, 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. Included in Mill expenses is \$210,782 (USD 168,138) (December 31, 2020 \$188,924 (USD 140,115)) in amortization of right of use asset and \$127,599 (USD 101,793) (December 31, 2020 \$134,249 (USD 99,566)) in interest on lease liability (Note 9).

##### (d) Hard Cash Property:

Jointly, with Bond Resources Inc., a company having a director in common with the Company, entered into a Lease Agreement (“HC Lease”), including an option to purchase, with Montana Reclaim LLC (Lessor) over the Hard Cash property. The Hard Cash property is located in Montana. The Company and Bond are equal partners in the project and will each be responsible for 50% of expenditures. The HC Lease initial term is five (5) years commencing on the date of execution and is renewable for three (3) additional five (5) year terms. Consideration payable to the Lessor consists of an initial cash payment of USD 2,000, shared with Bond; shared monthly payments with Bond of USD 1,500; annual payments by each of Bond and the Company of USD 25,000 payable in shares of Bond and the Company respectively; and USD 25,000, shared with Bond, upon the expiry of each five year term. In addition to the lease payments, by the end of each calendar year commencing in 2021, Bond and the Company must make minimum shared annual expenditures on the property of USD 75,000. The HC Lease includes the option to purchase the Property at any time for USD 1,500,000, plus a 3.0% net smelter returns royalty with increases to 4.0% should the price of gold exceed USD 2,000 per ounce. The Company, jointly with Bond, has the option to terminate the HC Lease at any time by providing 90 days written notice to the Lessor. As at December 31, 2021, exploration on this project has been suspended.

##### (e) Ocean Partners:

On May 16, 2021, the Company entered into a Contract, terminating on March 16, 2024, with Ocean Partners USA Inc. (the “Buyer” or “Ocean Partners”), whereby the Company agrees to sell gold concentrates to the Buyer. Ocean Partners is related to the Company by way of a common director. The Buyer will advance payment based on the Company’s best estimate of contained metal. The Buyer will confirm the final amount of the sale subsequent to quality examinations conducted by the Buyer. During the year ended December 31, 2021 the Company received \$351,427 (USD 278,901) (2020 - \$Nil) in provisional concentrate advances.

## Winston Gold Corp.

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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#### 20. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business. Related party transactions have been listed below, unless they have been disclosed elsewhere in the consolidated financial statements. During the year ended December 31, 2021, 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 \$131,229 (December 31, 2020 - \$184,392) and \$780,964 (USD 616,000) non-interest bearing amounts along with \$Nil (December 31, 2020 - \$138,465 (USD 108,754)) that bear a 10% annual simple interest. (See Note 10 for amounts due to directors). During the year ended December 31, 2021, the interest due on the interest-bearing short term loans due to directors was forgiven and no further interest shall be charged.

Included in due to related party is \$257,971 (USD 203,479) (December 31, 2020 - \$Nil) due to a company having a director in common with the Company.

Included in loans advanced is \$633,900 (USD 500,000) (December 31, 2020 - \$Nil) due to a company having a director in common with the Company. Included in loans advanced interest is \$19,960 (USD 15,744) (December 31, 2020 - \$Nil) due to a company having a director in common with the Company.

Included in due to director-long term is \$380,340 (USD 300,000) (December 31, 2020 - \$381,960 (USD 300,000)) that bear a 10% annual simple interest which has been deferred indefinitely. (See Note 12 for long term amounts due to directors).

Included in accounts receivable is \$Nil (2020 - \$58,586 (USD 46,015)) and \$13,543 (2020 - \$27,086) due from companies having a director in common with the Company.

During the year ended December 31, 2021, the Company spent \$Nil (2020 - \$137,323 (USD 103,273)) and recovered \$Nil (2020 - \$200,710 (USD 153,405)) regarding exploration and evaluation expenditures on behalf of a company having a director in common with the Company. The amount recovered included use of equipment owned by and administration and assay services provided by the Company. During the year ended December 31, 2021, the Company received \$351,427 (USD 278,901) (2020 - \$Nil) in provisional concentrate advances from Ocean Partners, a company having a director in common with the Company.

During the year ended December 31, 2021, management fees and bonus to directors were \$443,000 (2020 - \$525,000) and forgiveness of unsecured loan interest due to a director was \$49,460 (USD 43,545) (2020 interest due - \$52,428 (USD 38,753)). During the year ended December 31, 2021, the Company paid \$20,250 (2020 - \$2,250) in administration fees to a director.

During the year ended December 31, 2021 the Company granted 4,500,000 stock options to officers and directors of the Company resulting in share-based payments of \$416,943. During the year ended December 31, 2020, the Company granted 5,500,000 stock options to directors and officers of the Company resulting in share-based payments of \$704,577.

## **Winston Gold Corp.**

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### **Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)**

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#### **21. 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' equity (deficiency) in the definition of capital.

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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2021.

#### **22. 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:

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

### a) Market risk (cont'd):

#### Currency risk (cont'd):

	December 31, 2021	December 31, 2020
	\$	\$
Cash	91,368	1,029,236
Accounts receivable	-	53,170
Deposits	25,000	35,000
Accounts payable and accrued liabilities	1,540,023	217,386
Loan payable	500,000	-
Due to related party	203,479	-
Debenture interest payable	8,227	8,648
Advance interest payable	15,744	-
Debenture principal	968,721	1,018,250
Due to directors	616,000	108,754
Long term loan payable to director	300,000	300,000
Lease liability	602,050	740,258

The above balances were translated into US dollars at the year-end rate of \$1.2678 (December 31, 2020 - \$1.2732) Canadian dollars to every US dollar.

Based on the above net exposures as at December 31, 2021, 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 \$294,000 (December 31, 2020 - \$81,000).

### b) Liquidity risk:

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

As at December 31, 2021, the Company had working capital deficiency of \$5,307,271 (December 31, 2020 – deficiency of \$376,550). As at December 31, 2021, the Company had cash of \$114,829 (December 31, 2020 - \$1,694,849) to settle current liabilities of \$5,478,298 (December 31, 2020 - \$2,245,207) 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.

## Winston Gold Corp.

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### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

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, accounts receivable, reclamation bonds, accounts payable and accrued liabilities, interest payable, due to related parties, loans advanced, loans advanced interest payable, debentures payable and due to directors approximate fair values due to the relatively short term maturities of these instruments.

d) Credit risk:

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

e) Interest rate risk:

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

#### 23. 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.

The fair value of accounts payable and accrued liabilities, due to related party, loans advanced, loans advanced interest payable, 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.

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**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian Dollars)****24. INCOME TAXES**

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

	<b>2021</b>		<b>2020</b>	
Loss for the year	\$	(14,059,166)	\$	(13,157,529)
Expected income tax (recovery)	\$	(3,796,000)	\$	(3,553,000)
Change in statutory, foreign tax, foreign exchange rates and other		75,000		(390,000)
Permanent differences		189,000		507,000
Share issue cost		(13,000)		(8,000)
Adjustment to prior years provision versus statutory tax returns		(905,000)		333,000
Change in unrecognized deductible temporary differences		4,450,000		3,111,000
<b>Total income tax expense (recovery)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

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

	<b>2021</b>		<b>2020</b>	
Deferred tax assets (liabilities)				
Property and equipment	\$	(107,000)	\$	-
Right-of-use asset		(178,000)		(235,000)
Lease liability		178,000		235,000
Non-capital losses		107,000		-
<b>Net deferred tax liability</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>



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### Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020 (Expressed in Canadian Dollars)

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

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

	2021	2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 5,084,000	\$ 3,735,000
Share issue costs	66,000	18,000
Lease liability	23,000	248,000
Restoration liabilities	18,000	-
Allowable capital losses	1,825,000	-
Non-capital losses available for future period	4,044,000	2,609,000
	11,060,000	6,610,000
Unrecognized deferred tax assets	(11,060,000)	(6,610,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

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

	2021	Expiry Date Range	2020	Expiry Date Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 19,297,000	No expiry date	\$ 11,057,000	No expiry date
Share issue costs	244,000	2042 to 2045	67,000	2041 to 2044
Lease liability	88,000	No expiry date	50,000	No expiry date
Restoration liabilities	67,000	No expiry date	-	-
Allowable capital losses	6,761,000	No expiry date	-	-
Non-capital losses available for future periods	15,089,000	2026 onwards	9,929,000	2026 onwards
Canada	10,656,000	2033 to 2041	7,179,000	2033 to 2040
USA	4,433,000	2026 onwards	2,750,000	2026 onwards

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

#### 25. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company completed the following transactions:

- a) Repaid director loans in the amount of \$36,553.
- b) Received \$75,932 (USD 60,230) in provisional concentrate advances.
- c) Received \$1,637,689 (USD 1,290,000) in short-term director loans.