WINSTON RESOURCES INC.

Financial Statements

For the Years Ended July 31, 2019 and 2018

(EXPRESSED IN CANADIAN DOLLARS)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Winston Resources Inc.:

Opinion

We have audited the financial statements of Winston Resources Inc. (the "Company"), which comprise the statements of financial position as at July 31, 2019 and 2018, and the statements of income (loss) and comprehensive income (loss), cash flows and changes in shareholders' equity for years ended July 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years ended July 31, 2019 and 2018 in accordance with International Financial Reporting Standards.

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 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 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Barry Hartley.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
November 25, 2019

Winston Resources Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at		July 31, 2019		July 31, 2018
ASSETS				
Current assets				
Cash	$	487,006	$	869,693
Prepaid expenses		3,183		500
GST recoverable		72,141		61,508
Total current assets		562,330		931,701
Total assets	$	562,330	$	931,701
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (note 6)	$	130,333	$	153,927
Total current liabilities		130,333		153,927
Shareholders' equity				
Share capital (note 8)		11,626,320		11,626,320
Reserves (note 8)		2,331,049		2,331,049
Deficit		(13,525,372)		(13,179,595)
Total shareholders' equity		431,997		777,774
Total liabilities and shareholders' equity	$	562,330	$	931,701

Nature of Operations (note 1)
Going Concern Assumption (note 2)

Approved on behalf of the Board of Directors:

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

"Suzette Ramcharan" (signed)
Suzette Ramcharan, Director

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

Winston Resources Inc.
Statements of Income (Loss) and Comprehensive Income (Loss)
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

		2019		2018
Operating expenses				
Bank service expenses	$	363	$	357
Consulting expenses (note 7)		149,620		420,111
Filing and listing fees		12,178		27,674
Interest expense (recovery)		(552)		578
Office and rent expenses		34,371		89,480
Management fees (note 7)		4,500		-
Professional fees		101,215		63,476
Shareholder information		1,526		2,115
Transfer agent fees		7,942		17,548
Travel expenses		34,193		17,392
		(345,356)		(638,731)
Other items				
Foreign exchange loss		(18)		(426)
Other expenses		(403)		-
Gain on assignment interest (note 9)		-		9,953,215
Change in fair value of marketable securities (note 9)		-		(7,500,000)
		(421)		2,452,789
Net income (loss) for the year		(345,777)		1,814,058
Comprehensive income (loss) for the year	$	(345,777)	$	1,814,058
Net income (loss) for the year attributed to:				
Common shareholders	$	(345,777)	$	1,814,058
Basic earnings (loss) per share (note 8)	$	(0.01)	$	0.07
Diluted earnings (loss) per share (note 8)	$	(0.01)	$	0.05
Weighted average number of common shares outstanding – basic		25,133,840		25,133,840
Weighted average number of common shares outstanding – diluted		25,133,840		33,909,350

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

Winston Resources Inc.
Statements of Cash Flows
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Operating activities		
Net income (loss) for the year	$ **(345,777)**	$ 1,814,058
Items not involving cash:		
Change in fair value of marketable securities	**-**	7,500,000
Gain on assignment agreement	**-**	(9,953,215)
Net changes in non-cash working capital:		
GST recoverable	**(10,633)**	(28,131)
Prepaid expenses	**(2,683)**	72,500
Accounts payable and accrued liabilities	**(23,594)**	69,597
Net cash used in operating activities	**(382,687)**	(525,191)
Investing activity		
Loan receivable	**-**	(50,877)
Net cash used in investing activity	**-**	(50,877)
Net change in cash	**(382,687)**	(576,068)
Cash, beginning	**869,693**	1,445,761
Cash, ending	$ **487,006**	$ 869,693

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

Winston Resources Inc.

Statements of Changes in Shareholders' Equity
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Common Share Capital				Reserves				
	Number of Shares	Amount	Preferred Share Capital	Subscription Receivable	Warrants	Contributed Surplus	Total Reserves	Accumulated Deficit	Total
		$	$	$	$	$	$	$	$
Balance, July 31, 2017	**25,133,840**	**10,984,476**	**671,844**	**(30,000)**	**1,820,049**	**511,000**	**2,331,049**	**(11,993,653)**	**1,963,716**
Share dividend paid (note 9)	-	-	-	-	-	-	-	(3,000,000)	(3,000,000)
Net income for the year	-	-	-	-	-	-	-	1,814,058	1,814,058
Balance, July 31, 2018	**25,133,840**	**10,984,476**	**671,844**	**(30,000)**	**1,820,049**	**511,000**	**2,331,049**	**(13,179,595)**	**777,774**
Warrants expired (note 8)	-	-	-	-	(1,820,049)	1,820,049	-	-	-
Net loss for the year	-	-	-	-	-	-	-	(345,777)	(345,777)
Balance, July 31, 2019	**25,133,840**	**10,984,476**	**671,844**	**(30,000)**	**-**	**2,331,049**	**2,331,049**	**(13,525,372)**	**431,997**

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

1. Nature of Operations

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

Effective May 31, 2017, the Company entered into a definitive agreement (the “Share Exchange Agreement”) with GT Therapeutics Corporation (“GTT”), pursuant to which the Company will complete a reverse takeover and acquire from the shareholders of GTT, all of the issued and outstanding shares of GTT, causing GTT to become a wholly-owned subsidiary of Winston.

Effective on January 10, 2018, the Company entered into an assignment and novation agreement (the “Assignment Agreement”) among the Company, certain shareholders of GTT and Abattis Bioceuticals Corp. (“Abattis”), a company listed on the Canadian Securities Exchange (“CSE”), pursuant to which, the Company assigned all of its rights and interest (the “Assignment”) with GTT. On January 29, 2018, the Company’s assignee, Abattis, completed its acquisition of GTT (Note 9).

Winston is a reporting issuer in the jurisdictions of British Columbia, Alberta and Ontario whose common shares are listed for trading on the CSE under the symbol “WRW”. The head office of the Company is located at 400 - 837 West Hastings St., Vancouver, BC, V6C 3N6, Canada.

2. Going Concern Assumption

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

Management’s current strategy is careful cost control while pursuing opportunities within various market sectors. Management recognizes the Company’s need to increase its cash reserves in the coming year if it intends to adhere to its plans and has evaluated its potential sources of funds. Although management intends to assess and act on these options throughout the course of the year, there can be no assurance that the steps management take will be successful.

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

As at July 31, 2019, the Company has not generated any revenues from operations and has a deficit of $13,525,372 (2018 - $13,179,595). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon its ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

3. Statement of Compliance and Basis of Presentation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with accounting policies in compliance with IFRS and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended July 31, 2019.

(b) Basis of presentation

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

4. Significant Accounting Policies

Use of estimates and judgments

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

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

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern.

Foreign currency translation

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

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

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

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

4. Significant Accounting Policies (continued)

Share-based payments

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

Warrants

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

Loss per share

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

Impairment of assets

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

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

4. Significant Accounting Policies (continued)

Income taxes

Current income tax:

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

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

Deferred income tax:

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

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

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

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

Restoration and environmental obligations

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

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

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

4. Significant Accounting Policies (continued)

Restoration and environmental obligations (continued)

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

The Company has no restoration, rehabilitation and environmental obligations.

Newly adopted accounting standards

Financial instruments

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

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets prospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

<u>Classification</u>

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

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

4. Significant Accounting Policies (continued)

Newly adopted accounting standards (continued)

Financial instruments (continued)

Classification (continued)

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Loans and receivables	FVTPL
Accounts payable	Other financial liabilities	Amortized cost

The Company did not restate prior periods as the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on August 1, 2018.

Measurement

Financial assets at FVTOCI

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

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Impairment of financial assets at amortized cost

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

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve months expected credit losses. The Company shall recognize in the statements of net income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

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

4. Significant Accounting Policies (continued)

Newly adopted accounting standards (continued)

Financial instruments (continued)

Derecognition (continued)

Financial liabilities

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

Revenue from Contracts with Customers

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

New accounting standards not yet effective

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

Leases

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

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

5. Financial Risk Management and Capital Management

Financial risk management objectives and policies

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

5. Financial Risk Management and Capital Management (continued)

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

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

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

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

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

Liquidity risk
Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by monitoring cash outflows due in day-to-day business. As at July 31, 2019, the Company had, at its disposal, $487,006 in cash. The Company will require additional working capital to fund its operations. There is no guarantee that market conditions will be conducive to raising such additional equity capital.

Foreign currency risk
The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

(Expressed in Canadian Dollars)

5. Financial Risk Management and Capital Management (continued)

Financial risks (continued)

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

		As at July 31, 2019		As at July 31, 2018
Financial Assets				
FVTPL				
Cash	**$**	**487,006**	$	869,693
Financial Liabilities				
Amortized cost				
Accounts payable	**$**	**120,133**	$	141,427

Capital Management

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

The Company defines its capital as its shareholders' equity. As at July 31, 2019, the Company's capital resources amounted to $431,997 (2018 - $777,774).

The Company's capital management objectives, policies and processes have remained unchanged during the year ended July 31, 2019. The Company is not subject to any capital requirements imposed by a lending institution.

6. Accounts Payable and Accrued Liabilities

		As at July 31, 2019		As at July 31, 2018
Accounts payable (note 7)	**$**	**120,133**	$	141,427
Accrued liabilities		**10,200**		12,500
	$	**130,333**	$	153,927

(Expressed in Canadian Dollars)

7. Related Party Transactions and Disclosures (continued)

The following transactions occurred between related parties during the years ended July 31, 2019 and 2018:

		2019		2018
Management fees paid to a director	**$**	**4,500**	$	-
Consulting fees paid to the CEO and directors		**46,000**		53,263
Consulting fees paid to a company controlled by a current director		**5,250**		-
Consulting fees paid to a company controlled by a former director		**-**		15,227
Consulting fees paid to a former director		**5,370**		8,000
	$	**61,120**	$	76,490

As at July 31, 2019, $2,225 (2018 - $nil) was payable to related parties (note 6).

8. Share Capital and Reserves

Share capital

The Company's authorized share capital consists of:

- an unlimited number of common shares without par value; and
- an unlimited number of preferred shares without special rights or restrictions attached. A total of 671,844 preferred shares with a value of $671,844 are issued and outstanding as of July 31, 2019.

There were no common and preferred shares issued during the years ended July 31, 2019 and 2018.

Basic and diluted earnings (loss) per share

The calculation of basic earnings (loss) per share for the year ended July 31, 2019 was based on the income (loss) attributable to common shareholders of ($345,777) (2018 - $1,814,058) and the weighted average number of common shares outstanding of 25,133,840 (2018 - 25,133,840).

Diluted income (loss) per share includes the effect of nil options (2018 - nil) and nil warrants (2018 - 21,845,440) as they are anti-dilutive.

Stock options

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

There were no stock options outstanding as at July 31, 2019 and 2018.

(Expressed in Canadian Dollars)

8. Share Capital and Reserves (continued)

Warrants

The issued and outstanding warrants balance at July 31, 2019 is comprised as follows:

	Weighted average exercise price	Number of warrants
Balance, July 31, 2017	**$0.29**	**22,954,887**
Warrants expired	0.15	(1,109,447)
Balance, July 31, 2018	**$0.30**	**21,845,440**
Warrants expired	0.06	(10,000,000)
Warrants expired	0.50	(11,600,000)
Warrants expired	0.05	(245,440)
Balance, July 31, 2019	**$ -**	**-**

Contributed surplus

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

	Warrant reserve ($)	Contributed surplus ($)
Balance, July 31, 2018	**1,820,049**	**511,000**
Expired	**(1,820,049)**	**1,820,049**
Balance, July 31, 2019	**-**	**2,331,049**

9. Assignment Agreement

On May 31, 2017, the Company entered into a definitive agreement to acquire GTT through a reverse take-over (Note 1). After the completion of this transaction, GTT will become the business of Winston. Pursuant to the agreement, the Company will issue an aggregate of 5,500,000 common shares to the existing shareholders of GTT, on a pro-rata basis, at a price of $0.45 per share for total consideration of $2,475,000 plus $125,000 in cash (paid). The Company was required to complete a concurrent private placement. In connection with the same, during the year ended July 31, 2017, the Company closed a non-brokered private placement of 11,600,000 units. Completion of the transaction is subject to a number of conditions, including but not limited to satisfactory due diligence and acceptance of the Canadian Securities Exchange. This transaction was not completed.

Effective on January 10, 2018, the Company entered into an assignment and novation agreement (the "Assignment Agreement") among the Company, certain shareholders of GTT and Abattis (Note 1).

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

(Expressed in Canadian Dollars)

9. Assignment Agreement (continued)

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

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

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

10. Deferred Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates, as well as the United States federal and state income tax rates, with the Company's effective tax rate is as follows:

		2019		2018
Income (loss) before income taxes	**$**	**(345,777)**	$	1,814,058
Combined statutory rate		**27%**		27%
		(93,360)		489,796
Gain on assignment interest		**-**		(2,687,368)
Change in fair value of marketable securities		**-**		2,025,000
Taxable capital gain on assignment interest		**-**		331,184
Other		**2,718**		1,397
Effect of change in tax rate		**-**		(34,955)
Benefit of tax losses not recognized		**90,642**		(125,054)
	$	**-**	$	-

As at July 31, 2019, the Company has Canadian non-capital losses of approximately $2,158,000 (2018 - $1,782,000) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

2033	$	67,000
2034		198,000
2035		377,000
2036		70,000
2037		1,070,000
2039		376,000
	$	2,158,000

(Expressed in Canadian Dollars)

10. Deferred Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of future tax assets are as follows:

		2019		2018
Benefit of non-capital losses	**$**	**583,000**	$	482,000
Mineral property exploration		**269,000**		269,000
Share issue costs		**22,000**		33,000
Less: Valuation allowance (100% impairment deferred tax asset)		**(874,000)**		(784,000)
	$	**-**	$	-

Deferred income tax assets have not been recognized in respect of these items because it is not probable that future profit will be available against which the Company can utilize the benefits therefrom.