

WINSTON RESOURCES INC.
Consolidated Financial Statements
Year Ended July 31, 2016

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Winston Resources Inc.

We have audited the accompanying consolidated financial statements of Winston Resources Inc. which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for each of the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Winston Resources Inc., as at July 31, 2016 and July 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 2, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Toronto, Canada
November 25, 2016

"Abraham Chan LLP"

Abraham Chan LLP
Chartered Professional Accountants
Licensed Public Accountants

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

| As at July 31, | 2016 | 2015 |
|---|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 84 | \$ 3,501 |
| Government HST recoverable | 5,166 | 6,303 |
| Prepaid expenses | - | 3,236 |
| Due from related company (note 12) | - | 5,375 |
| Total current assets | 5,250 | 18,415 |
| Non-current assets | | |
| Investment in associates (note 9) | - | 9,690 |
| Exploration and evaluation assets (note 10) | 9,000 | - |
| Total non-current assets | 9,000 | 9,690 |
| Total assets | \$ 14,250 | \$ 28,105 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (notes 11 and 12) | \$ 49,291 | \$ 95,102 |
| Due to related parties (note 12) | 94,404 | 108,579 |
| Mineral properties purchase price payable (note 10) | - | 700,000 |
| Total current liabilities | 143,695 | 903,681 |
| Shareholders' Equity (Deficiency) | | |
| Common share capital and reserves (note 13) | 10,823,281 | 10,782,262 |
| Deficit | (10,952,726) | (10,343,561) |
| Total shareholders' (deficiency) equity attributed to owners | (129,445) | 438,701 |
| Non-controlling interest (note 14) | - | (1,314,277) |
| Total shareholders' (deficiency) | (129,445) | (875,576) |
| Total liabilities and shareholders' (deficiency) equity | \$ 14,250 | \$ 28,105 |

Nature of operations (note 1)
 Going concern (note 2)

Approved on behalf of the Board of Directors:

"Daniel Wettreich" (signed) Director
Daniel Wettreich, Director

"Mark Wettreich" (signed) Director
Mark Wettreich, Director

Winston Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

| Year Ended July 31, | 2016 | 2015 |
|---|---------------------|-----------------------|
| Revenue | | |
| Interest income | \$ - | \$ 81 |
| | - | 81 |
| Operating Expenses | | |
| Filing and listing fees | 15,691 | 18,976 |
| Professional fees | 11,318 | 33,897 |
| Office and general expenses | 13,461 | 25,274 |
| Shareholder information | 3,502 | 7,463 |
| Transfer agent fees | 16,823 | 11,756 |
| Share-based payments (note 13) | - | 8,125 |
| (Gain) on sale of equity investments | - | (8,521) |
| Loss on dilution of CNRP (note 6) | 441,041 | - |
| (Gain) on dilution of ownership in associates (note 5) | (189,000) | - |
| (Gain) on debt settlement (note 13) | - | (69,567) |
| Debt forgiveness (note 6) | (161,063) | - |
| Impairment loss on exploration and evaluation assets (note 10) | - | 5,393,760 |
| | 151,773 | 5,421,163 |
| Net loss for the year | (151,773) | (5,421,082) |
| Equity loss on equity accounted investments (note 9) | (3,013) | (61,011) |
| Net loss and comprehensive loss | \$ (154,786) | \$ (5,482,093) |
| Net loss for the year attributed to: | | |
| Common shareholders | (151,662) | (4,533,783) |
| Non-controlling interest | (3,124) | (948,310) |
| | (154,786) | (5,482,093) |
| Basic and diluted loss per share (note 13) | \$ (0.02) | \$ (0.59) |
| Weighted average number of common shares outstanding - basic and diluted | 9,862,335 | 9,195,256 |

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

Winston Resources Inc.
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

| Year Ended July 31, | 2016 | 2015 |
|--|-----------------|-----------------|
| Operating activities | | |
| Net loss for the year | \$ (154,786) | \$ (5,482,093) |
| Non-cash adjustments for: | | |
| Equity loss in equity accounted investments | 3,013 | 61,011 |
| Share-based payments | - | 8,125 |
| (Gain) on sale of equity investments | - | (8,521) |
| Impairment of exploration and evaluation assets | - | 5,393,760 |
| (Gain) on debt settlement | - | (69,567) |
| Debt forgiveness | (161,063) | - |
| (Gain) on dilution of ownership in associates (note 5) | (189,000) | - |
| Loss on dilution of CNRP (note 6) | 441,041 | - |
| | (60,795) | (97,285) |
| Net changes in non-cash working capital: | | |
| Government HST recoverable | (2,783) | 21,716 |
| Prepaid expenses | 3,236 | (1,438) |
| Accounts payable and accrued liabilities | 26,962 | 9,842 |
| Net cash used in operating activities | (33,380) | (67,165) |
| Investing activities | | |
| Proceeds from the sale of investments | - | 9,680 |
| Change in cash from dilution of CNRP | 31 | - |
| Net cash provided by investing activities | 31 | 9,680 |
| Financing activities | | |
| Due from related company | 5,375 | 20,581 |
| Due to related parties | 24,557 | 38,870 |
| Net cash provided by financing activities | 29,932 | 59,451 |
| Net change in cash | (3,417) | 1,966 |
| Cash, beginning of year | 3,501 | 1,535 |
| Cash, end of year | \$ 84 | \$ 3,501 |

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

Winston Resources Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

| | Common Share Capital | Preferred Share Capital | Reserves | | | Common Share Capital and Reserves | Deficit | Non-controlling Interest | Total |
|----------------------------------|----------------------------|-------------------------------|------------------|------------------|------------------------|---|------------------------|-----------------------------|---------------------|
| | | | Options | Warrants | Contributed Surplus | | | | |
| Balance, July 31, 2014 | \$ 9,536,087 | \$ - | \$ 11,000 | \$ 77,100 | \$1,045,600 | \$ 10,669,787 | \$ (5,809,778) | \$ (365,967) | \$ 4,494,042 |
| Issued on debt settlement | 67,350 | - | - | 37,000 | - | 104,350 | - | - | 104,350 |
| Warrant expiration | - | - | - | (77,100) | 77,100 | - | - | - | - |
| Share-based compensation | - | - | 8,125 | - | - | 8,125 | - | - | 8,125 |
| Stock option forfeited | - | - | (1,692) | - | 1,692 | - | - | - | - |
| Cancellation of stock options | - | - | (1,602) | - | 1,602 | - | - | - | - |
| Net loss for the year | - | - | - | - | - | - | (4,533,783) | (948,310) | (5,482,093) |
| Balance, July 31, 2015 | \$ 9,603,437 | \$ - | \$ 15,831 | \$ 37,000 | \$ 1,125,994 | \$ 10,782,262 | \$ (10,343,561) | \$ (1,314,277) | \$ (875,576) |
| Dilution of CNRP (note 6 and 13) | - | 671,844 | (4,525) | - | (626,300) | 41,019 | (202,151) | 1,317,401 | 1,156,269 |
| Dividend (notes 5 and 6) | - | - | - | - | - | - | (255,352) | - | (255,352) |
| Net loss for the year | - | - | - | - | - | - | (151,662) | (3,124) | (154,786) |
| Balance, July 31, 2016 | \$ 9,603,437 | \$ 671,844 | \$ 11,306 | \$ 37,000 | \$ 499,694 | \$ 10,823,281 | \$ (10,952,726) | \$ - | \$ (129,445) |

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

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

1. Nature of Operations

Winston Resources Inc. (“Winston” or the “Company”) is incorporated under the laws of the province of British Columbia. Winston is 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., Zara Resources Inc., Leo Resources Inc. and Hadley Mining Inc. and no longer has any interest in these companies.

Winston is a reporting issuer in the jurisdictions of British Columbia, Alberta and Ontario whose common shares are listed for trading on the Canadian Securities Exchange (“CSE”) under the symbol “WRW”. The head office of the Company is located at 4168 Finch Avenue East, Suite 308, Toronto, Ontario M1S 5H6, Canada.

2. Going Concern Assumption

These consolidated 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.

The business of exploration involves a high degree of risk, as such there is no assurance that the Company’s expected exploration programs will result in profitable mining operations. Until it is determined that the E&E contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation assets using the full cost method allowed under IFRS 6. The Company’s continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its E&E, and making the required payments pursuant to E&E purchase agreements. The Company has yet to generate income and cash flows from its operations.

There is no assurance that the Company will be able to obtain the external financing necessary to explore, develop, if E&E are proven successful, and bring to commercial production its E&E. The Company has no proven history of operating profitability, which casts doubt as to whether the Company will be able to continue as a going concern should it not be able to obtain the necessary financing to fund working capital and capital expenditures. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at July 31, 2016, the Company had yet to generate revenues from operations and had a deficit of \$10,952,726 (July 31, 2015 - \$10,343,561). 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 the entity’s 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, they 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.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

3. Statement of Compliance and Basis of Presentation

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as of November 25, 2016, the date the Company's Board of Directors approved these financial statements.

(b) Basis of presentation

These consolidated 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 in subsequent periods, and have been prepared using the accrual basis of accounting, except for cash flow information.

4. Significant Accounting Policies

These financial statements have been prepared by management in accordance with IFRS and IFRIC. Outlined below are those policies considered particularly significant:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries; 100% owned CNRP Dallas Inc. ("CNRP Dallas"), a Dallas, Texas based management services Company, and 84.9% owned CNRP Mining Inc. ("CNRP"), until the Company lost control of CNRP after it distributed all of its investment interest in CNRP to the Company's shareholders on January 29, 2016. Control is achieved when the Company has the power over the investees; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns.

On consolidation, all intercompany transactions, balances, income and expenses are eliminated in full.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An Investment in associates is accounted for using the equity method from the date on which the investee becomes an associate. The carrying amount of the investments in associates is increased or decreased to recognize the share of the profit or loss and other comprehensive income of the associates, adjusted where necessary to ensure consistency with the accounting policies.

Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors ("BOD"). Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date. Dividend payable is recognized when the dividend is appropriately authorized by the BOD and is no longer at management's discretion. The Company measures a liability to distribute non-cash assets as a dividend to the shareholders at the fair value of the assets to be distributed. In case the Company offers an option of receiving either a non-cash asset or a cash and cash equivalent, the Company estimates the dividend payable by considering probability weighted fair value of each option. The Company reviews and adjusts the carrying amount of the dividend payable at each reporting date and the date of settlement, with any change in the carrying amount recognised in equity.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

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

- Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing in the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position. Deferred income taxes relating to items recognized directly in equity are recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that these assets suffer any impairment in value, except for E&E which is first assessed against the indicators of IFRS 6. If any such IFRS 6 indication exists, the recoverable amount of the asset (or CGU) is estimated in order to determine the extent, if any, of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount with a corresponding impairment loss recognized in the statement of comprehensive income in the period of impairment.

If an impairment loss reverses in a subsequent period then the carrying amount of the asset is increased to its revised value to the extent that the increased carrying amount does not exceed its original carrying amount as would be determined under IFRS 6.

Exploration and evaluations assets (“E&E”)

E&E assets consist of exploration and mining concessions, options and contracts. Acquisition costs, lease costs and exploration costs are capitalized and deferred until such time as the asset is moved to a mining asset (if meets the economic and feasible stage) or the properties are disposed of either through sale, abandonment or impairment.

E&E costs consist of such items as:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory drilling, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.

E&E shall be assessed for impairment when one or more of the following facts and circumstances indicate that a specific CGU should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

The Company estimates the recoverable amount of each CGU, on the basis of areas of interest. Management groups mineral claims that are contiguous and specific to an area that encompasses the same prospective minerals, into one area of interest and assigns a name to this mineral property.

Recoverable amount is the higher of fair value less disposal costs 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 current market assessments of the time value of money and the risks specific to the asset.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. E&E are also tested for impairment before the assets are transferred to development properties.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Functional currency

The Company's presentation and functional currency is the Canadian dollar.

Equity Settled Transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled and vested, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period or date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share based compensation reserve.

When the share-based payment arrangement has been cancelled or the terms have expired the fair value assigned to the share-based payment arrangement is transferred to contributed surplus.

Share Capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are recognized in equity as a reduction from the gross proceeds received from the issued shares.

Financial instruments

Fair value through profit or loss (FVTPL)

Financial assets that are held with the intention of generating profits in the near term are classified as held for trading within FVTPL. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized as gain or loss in the statement of loss and comprehensive loss during the period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the statements of loss and comprehensive loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of loss and comprehensive loss. The losses arising from impairment are recognized in the statement of loss and comprehensive loss. The Company has classified government HST recoverable and due from related companies as loans and receivable.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost. The effective interest rate (or amortized cost method) is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company's cash is considered Level 1 in the hierarchy.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. In the years when the Company reports a net loss, the effect of potential issuances of common shares are anti-dilutive, therefore, basic and fully diluted loss per common share is the same. The diluted loss per share reflects the potential dilution of common share equivalents, such as the conversion of outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Future accounting policies

At the date of authorization of these financial statements, the IASB has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting period.

(i) IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires an expected loss impairment method to be used, replacing the incurred loss model.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39, however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are to be recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both IAS 39 and IFRIC 9 - Reassessment of Embedded Derivatives. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. The Company is still in the process of assessing the impact of this pronouncement.

(ii) IFRS 11 - Joint Arrangements (“IFRS 11”) was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted. The Company is still in the process of assessing the impact of this pronouncement.

(iii) IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements (such as IFRS 14, IFRS 15, IFRS 16, and the various annual improvements) that have no material impact to the Company are not included above. The Company has not early adopted these standards.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

5. Distribution of Share Dividends

On January 29, 2016 the Company declared share dividends to distribute all of the Company's share interest in Zara Resources Inc. ("Zara"), Leo Resources Inc. ("Leo"), Hadley Mining Inc. ("Hadley"), and CNRP Mining Inc. ("CNRP"). Other than CNRP (note 6), all three investees were associates in which the investments were accounted for using the equity method of accounting. Subsequent to the distribution of share dividends, the Company holds no further interest in these companies.

| | Zara | Leo | Hadley |
|---|--------------|--------------|---------------|
| Share interest held (%) | 17.94 | 16.76 | 40.68 |
| Number of shares | 895,902 | 879,402 | 10,169,022 |
| Initial investment | \$ 143,400 | \$ 115,541 | \$ 176,800 |
| Cumulative equity loss on investments | \$ (651,500) | \$ (108,864) | \$ (368,686) |
| Carrying value of investment in associates | \$ - | \$ 6,677 | \$ - |
| Share price on dividend date | \$ 0.10 | \$ 0.005 | \$ 0.01 |
| Dividend distribution value | \$ 89,590 | \$ 4,397 | \$ 101,690 |
| Gain (loss) on dilution of ownership in associates | \$ 89,590 | \$ (2,280) | \$ 101,690 |

6. Dilution of CNRP

On January 29, 2016, the Company declared share dividend to distribute all of its share interest in CNRP to the Company's shareholders. After the distribution, the Company holds no further interest in CNRP. As a result of the distribution, all assets and liabilities of CNRP were de-consolidated and the net liabilities is reallocated to the statement of loss. The fair value of the dividend distribution of \$59,675 for 11,935,018 shares of CNRP held by the Company is based on the market price of CNRP's shares at the date the dividend was declared.

The following summarizes the impact to the profit and loss of the Company as a result of the transaction.

| | Amount |
|--|---------------------|
| Gain on dilution of CNRP | |
| Dividend - CNRP shares | 59,675 |
| Non-controlling interest in CNRP (note 14) | \$ (1,317,401) |
| Net liabilities of CNRP | 816,686 |
| (Loss) on dilution of CNRP | \$ (441,040) |

The amount of \$161,063 due from Winston to CNRP which was previously eliminated upon consolidation has been forgiven on de-consolidation.

A total of 671,844 preferred shares with a value of \$671,844 issued to CNRP which was previously eliminated upon consolidation is now included in the share capital of Winston on de-consolidation. (Note 13)

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

7. Financial Risk 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.

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 consolidated 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, government HST recoverable, which is due from the Canadian government, and due from related companies, which is expected to be recoverable. 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

The savings accounts are at variable rates. Consequently, the Company is exposed to a fluctuation of the interest rate on the market which could vary the interest income on the savings accounts. The Company does not use financial derivatives to decrease its exposure 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 carefully monitoring cash outflows due in day-to-day business. As at July 31, 2016, the Company had, at its disposal, \$84 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.

Commodity risk

The value of the Company's exploration and evaluation assets are related to the price of gold and other mineral commodities, and the outlook for these mineral commodities. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

7. Financial Risk Management (continued)

Financial risks (continued)

Foreign currency risk

The Company is exposed to currency risks on its United States dollar denominated working capital balances due to changes in the US dollar/Canadian dollar exchange rate.

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration.

The Company has designated its cash as fair value through profit or loss. The government HST recoverable and due from related company are categorized as loans and receivables whereby they are initially recognized at fair value and then subsequently carried at amortized cost. Accounts payables and accrued liabilities, due to related parties and mineral properties purchase price payable are classified as other financial liabilities whereby they are initially recognized at fair value and then measured at amortized cost.

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

| | As at July 31, 2016 | As at July 31, 2015 |
|---|--------------------------------|--------------------------------|
| Financial Assets | | |
| <i>Fair value through profit or loss</i> | | |
| Cash | \$ 84 | \$ 3,501 |
| <i>Loans and receivables</i> | | |
| Government HST Recoverable | 5,166 | 6,303 |
| Due from related companies | - | 5,375 |
| Financial Liabilities | | |
| <i>Other financial liabilities</i> | | |
| Accounts payable and accrued liabilities | \$ 49,291 | \$ 95,102 |
| Due to related parties | 94,404 | 108,579 |
| Mineral property purchase price payable | - | 700,000 |

8. 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 and exploration of E&E and 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 managements to sustain future development of the business.

The Company defines its capital as its shareholders' equity. As at July 31, 2016, the Company's capital resources amounted to a deficiency of \$129,445 (July 31, 2015 - \$875,576).

All of the E&E, in which the Company currently has an interest, are in the exploration stage with no operating revenues; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new E&E and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended July 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

9. Investments in Associates

| | As at July 31, 2016 | As at July 31, 2015 |
|---|------------------------|------------------------|
| Leo | - % | 16.76% |
| Common shares | \$ 116,700 | \$ 116,700 |
| Disposition of shares | (1,159) | (1,159) |
| Equity loss carried forward | (105,851) | (44,840) |
| Share of equity loss recognized | (3,013) | (61,011) |
| Distribution of share dividend (note 5) | (6,677) | - |
| | \$ - | \$ 9,690 |

At July 31, 2016, the Company's accumulated share of Zara's equity loss was \$651,500 (July 31, 2015 - \$639,932) and its accumulated share of Hadley's equity loss was \$368,686 (July 31, 2015 - \$360,876). However, these losses exceeded the carrying amount of the initial investments in Zara and Hadley of \$143,400 and \$176,800, respectively, and accordingly, Winston recognized no further losses beyond these carrying amounts up to the dividend distribution since Winston has no obligation for such amounts.

During the year ended July 31, 2015, the Company disposed of 16,500 common shares in Leo for total proceed of \$9,680. This transaction has resulted in the recognition of a gain, calculated as follows.

| | |
|---|-----------------|
| Proceeds of disposal | \$ 9,680 |
| Less: carrying amount of investment on the date of disposal | (1,159) |
| Gain recognized | \$ 8,521 |

10. Exploration and Evaluation Assets

| | Pigeon River (Ontario property) (25% Interest) | Elmtree (New Brunswick property) (100% Interest) | Total |
|-------------------------------|--|--|-----------------|
| Balance, July 31, 2014 | \$ - | \$ 5,393,760 | \$ 5,393,760 |
| Impairment | - | (5,393,760) | (5,393,760) |
| Balance, July 31, 2015 | \$ - | \$ - | \$ - |
| Additions: | | | |
| Property acquisition costs | 9,000 | - | 9,000 |
| Balance, July 31, 2016 | \$ 9,000 | \$ - | \$ 9,000 |

Pigeon River

On January 19, 2016, the Company purchased a 25% interest in the Pigeon River mining claim from Zara for the sum of \$9,000. The Pigeon River mining claim is located in the Pigeon River area of Northwest Ontario.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

10. Exploration and Evaluation Assets (continued)

Elmtree

The Elmtree Gold Project is owned 100% by the Company's former subsidiary CNRP and consists of 83 claims. CNRP entered into two transactions to acquire a total of 100% of the Elmtree Gold Project, 60% from Castle Resources Inc ("Castle") and 40% from Stratabound Minerals Corp ("Stratabound"). Both transactions closed on June 22, 2012.

CNRP agreed to pay Castle 5,016,155 common shares, \$500,000 in cash, \$250,000 of which is payable on the date that is six months from closing with the balance of \$250,000 payable twelve months from closing. At July 31, 2015, the Company is indebted to Castle in the amount of \$500,000 (2014 - \$500,000) CNRP also granted a 3% Net Smelter Royalty in favour of Castle from 60% of the gross revenue received from the sale of minerals from Elmtree less transportation and refining costs. CNRP agreed to pay Stratabound 2,786,753 common shares, \$300,000 in cash, \$100,000 of which was payable on the date of closing, \$100,000 payable six months from closing, and \$100,000 payable twelve months from closing. At July 31, 2015, CNRP is indebted to Stratabound in the amount of \$200,000.

During the year ended July 31, 2014, management determined that the carrying value of Elmtree was impaired and accordingly recorded a write-down of \$2,310,000. During the year ended July 31, 2015, management determined that the Company did not have the financing to further the project and hence the remaining carrying value of the property of \$5,393,760 was impaired.

11. Accounts Payable and Accrued Liabilities

| | As at July 31, 2016 | As at July 31, 2015 |
|---------------------|------------------------|------------------------|
| Accounts payable | \$ 40,298 | \$ 67,102 |
| Accrued liabilities | 8,993 | 28,000 |
| | \$ 49,291 | \$ 95,102 |

The accounts payable and accrued liabilities which arise from the Company's day to day operations have standard vendor terms and are normally settled between one and two months. The accounts payable is broken down between the parent and its subsidiary as follows - Winston - \$45,798 (July 31, 2015 - \$38,864) and CNRP Dallas Inc. - \$3,493 (July 31, 2015 - \$3,500).

The following is an aged analysis of the accounts payable and accrued liabilities:

| | July 31, 2016 | July 31, 2015 |
|--|------------------|------------------|
| Less than one month | \$ 9,445 | \$ 35,085 |
| One to three months | 3,055 | 1,300 |
| Over three months | 36,791 | 58,717 |
| Total accounts payable and accrued liabilities | \$ 49,291 | \$ 95,102 |

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

12. Related Party Transactions and Disclosures

Related party transactions were in the normal course of operations. At July 31, 2016, the due from related company in the amount of \$nil (July 31, 2015 - \$5,375) the business purpose of which were made to provide working capital to affiliates is comprised of due from Hadley of \$nil (July 31, 2015 - \$5,375). Daniel Wettreich is the CEO and a director of both Winston and Hadley.

The due to related parties and companies in amount of \$94,404 (July 31, 2015 - \$108,579) the business purpose of which were made to provide working capital to the Company is comprised of due to Daniel Wettreich, an officer and director of the Company, of \$50,399 (July 31, 2015 - \$11,087), a payable to Zara of \$nil (July 31, 2015 - \$2,007), a payable to Leo of \$nil (July 31, 2015 - \$35,255), a payable to GreenBank of \$578 (July 31, 2015 - \$34,763), a payable to Sammiri Capital Inc. ("Sammiri"), a private company owned by Daniel Wettreich of \$43,427 (July 31, 2015 - \$25,467). The amounts are interest free, payable on demand and have no set repayment terms.

During the year ended July 31, 2016, the Company along with CNRP incurred transfer agent fees of \$16,823 (year ended July 31, 2015 - \$7,570) to Reliable Stock Transfer Inc., ("Reliable") a company owned by Daniel Wettreich for the provision of share transfer services. The amount is comprised of \$16,120 (year ended July 31, 2015 - \$3,700) incurred by the Company and \$702 (year ended July 31, 2015 - \$3,870) incurred by CNRP. As at July 31, 2016, amount owed to Reliable is \$19,585 (July 31, 2015 - \$7,464) and has been included in the accounts payable and accrued liabilities.

As at July 31, 2016, the amount of \$nil (July 31, 2015 - \$33,900) being management fees carried forward from prior financial periods was owed to Sammiri Capital Inc. ("Sammiri"), a private company owned by Daniel Wettreich, and has been included in accounts payable and accrued liabilities.

During the year ended July 31, 2015, the Company granted 450,000 options to five directors and they were assigned a fair value of \$3,600.

13. Share Capital and Reserves

Common share capital

The Company's authorized share capital includes:

- 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, 2016.

| | Number of shares | Amount |
|--|-------------------------|---------------------|
| Balance July 31, 2014 | 6,383,995 | \$ 9,536,087 |
| Shares issued on debt settlement | 3,478,340 | 67,350 |
| Balance July 31, 2015 and July 31, 2016 | 9,862,335 | \$ 9,603,437 |

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

13. Share Capital and Reserves (continued)

Conversion of debt into common shares

On October 9, 2014, the Company effected a conversion of \$173,917 of debt into units of the Company, each unit comprising of one common share at \$0.05 per share and one warrant exercisable at \$0.05 per share and expiring October 9, 2017. The debt conversion resulted in the issuance of 3,478,340 common shares and 3,478,340 warrants. The debt was related to amounts owing to Sammiri, a related party of the Company. The fair value of the warrants was \$37,000 and was estimated using the Black-Scholes pricing model based on the following inputs: share price of \$0.02, dividend yield rate of 0%, volatility of 109%, risk free rate of 1.15%, and an expected life of 3 years. No commission was payable in relation to this debt conversion. As a result of this transaction a gain on debt settlement of \$69,567 was reported in the consolidated statement of loss and comprehensive loss for the year ended July 31, 2015.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended July 31, 2016 was based on the loss attributable to common shareholders of \$154,786 (year ended July 31, 2015 – loss of \$5,482,093) and the weighted average number of common shares outstanding of 9,862,335 (year ended July 31, 2015 – 9,195,256). Diluted loss per share did not include the effect of 630,000 options (July 31, 2015 – 2,030,000 options) and 3,478,340 warrants (July 31, 2015 – 3,478,340) as they are anti-dilutive.

Warrants

The issued and outstanding warrants balance at July 31, 2016 is comprised as follows:

| | Number of warrants |
|---|-----------------------|
| Balance, July 31, 2014 | 125,000 |
| Expired - January 28, 2015 | (125,000) |
| Debt settlement - issued on October 9, 2014 | 3,478,340 |
| Balance, July 31, 2015 and July 31, 2016 | 3,478,340 |

| Issue date | Expiry date | Exercise price | Number of warrants | Fair value |
|-----------------|-----------------|----------------|--------------------|------------------|
| October 9, 2014 | October 9, 2017 | \$0.05 | 3,478,340 | \$ 37,000 |
| | | \$0.05 | 3,478,340 | \$ 37,000 |

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

13. Share Capital and Reserves (continued)

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.

The following table summarizes the activity in stock options over the period.

| | Fair Value | Number of stock options | Weighted average exercise price (\$) |
|---|------------------|----------------------------|---|
| Balance, July 31, 2014 | \$ 11,000 | 425,000 | 0.05 |
| Granted (CNRP) ⁽²⁾⁽³⁾ | 4,525 | 1,400,000 | 0.05 |
| Granted ⁽⁴⁾⁽⁵⁾ | 3,600 | 450,000 | 0.05 |
| Expired/forfeited | (2,994) | (120,000) | 0.05 |
| Expired/forfeited (CNRP) ⁽¹⁾ | (300) | (125,000) | 0.05 |
| Balance, July 31, 2015 | \$ 15,831 | 2,030,000 | 0.05 |
| Dilution of CNRP | (4,525) | (1,400,000) | 0.05 |
| Balance, July 31, 2016 | \$ 11,306 | 630,000 | 0.05 |

The following table sets out the details of the stock options granted and outstanding as at July 31, 2016:

| Expiry date | Exercise price (\$) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) | Number of options unvested |
|-----------------|------------------------|--|-------------------------------------|---|----------------------------------|
| July 1, 2017 | 0.05 | 0.92 | 100,000 | 100,000 | - |
| August 5, 2016* | 0.05 | 0.02 | 180,000 | 180,000 | - |
| July 1, 2018 | 0.05 | 1.92 | 200,000 | 200,000 | - |
| August 5, 2019 | 0.05 | 3.01 | 150,000 | 150,000 | - |
| | 0.05 | 1.21 | 630,000 | 630,000 | - |

* These options expired unexercised subsequent to the end of the period.

⁽¹⁾ The fair value of the stock options granted by CNRP and fully vested on the grant date for the year ended July 31, 2014 was \$300 which has been expensed as share-based compensation in the statement of loss and comprehensive loss. The fair value was estimated using the Black-Scholes pricing model based on the following assumptions/inputs: share price \$0.01, exercise price \$0.05, dividend yield rate of 0%, forfeiture rate 0%, volatility ranging from 109% risk free rate of 1.08%, and an expected life of 2 years. These options were cancelled during the year ended July 31, 2015.

⁽²⁾ The fair value of stock options granted by CNRP and fully vested on the grant date on October 14, 2014 was \$4,400. Fair value was estimated using the Black-Scholes pricing model based on the following assumptions/inputs: share price of \$0.01, exercise price \$0.05, dividend yield rate of 0%, expected volatility of 109%, risk free rate of return from 0.98% to 1.09%, and an expected life ranging from 2 to 3 years.

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

13. Share Capital and Reserves (continued)

Stock options (continued)

⁽³⁾ The fair value of stock options granted by CNRP and fully vested on the grant date on July 1, 2015 was \$125. Fair value was estimated using the Black-Scholes pricing model based on the following assumptions/inputs: share price of \$0.01, exercise price \$0.05, dividend yield rate of 0%, expected volatility of 109%, risk free rate of return from 0.49%, and an expected life of 2 years.

⁽⁴⁾ The fair value of the stock options granted by the Company and fully vested on the grant date on August 2, 2014 was \$3,400. Fair value was estimated using the Black-Scholes pricing model based on the following assumptions/inputs: share price of \$0.02, exercise price of \$0.05, dividend yield rate of 0%, expected volatility of 109%, risk free rate of return from 1.07% to 1.46%, and an expected life ranging from 2 to 5 years.

⁽⁵⁾ The fair value of the stock options granted by the Company and fully vested on the grant date on July 1, 2015 was \$200. Fair value was estimated using the Black-Scholes pricing model based on the following assumptions/inputs: share price of \$0.01, exercise price of \$0.05, dividend yield rate of 0%, expected volatility of 109%, risk free rate of return of 0.49%, and an expected life of 2 years.

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:

| | | |
|-------------------------------|-----------|------------------|
| Balance, July 31, 2014 | \$ | 1,045,600 |
| Stock options forfeited | | 3,294 |
| Expiration of warrants | | 77,100 |
| <hr/> | | |
| Balance, July 31, 2015 | \$ | 1,125,994 |
| Dilution of CNRP | | (626,300) |
| <hr/> | | |
| Balance, July 31, 2016 | \$ | 499,694 |

Winston Resources Inc.

Notes to Consolidated Financial Statements

Year Ended July 31, 2016

(Expressed in Canadian Dollars)

14. Non-controlling Interests

The Company had 84.9% interest in CNRP before the share dividends distribution of all of the Company's shareholding interests in CNRP to the Company's shareholders at the end of January 2016; accordingly the operating results of CNRP is consolidated into these financial statements with non-controlling interest up to the date of the loss of control as a result of this distribution.

CNRP Mining Inc.

| | | |
|------------------------|----|-------------|
| Balance, July 31, 2014 | \$ | (365,967) |
| Share of net loss | | (948,310) |
| Balance, July 31, 2015 | \$ | (1,314,277) |
| Share of net loss | | (3,124) |
| Dilution of CNRP | | 1,317,401 |
| Balance, July 31, 2016 | \$ | - |

15. Supplemental Cash Flow Information

No-cash transactions not reflected in the Statement of Cash Flows for the years ended July 31, 2016 and 2015 are as follows:

| | 2016 | 2015 |
|--|------|------------|
| Shares issued to settle due to related parties (Note 13) | \$ - | \$ 173,917 |

16. 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:

| | 2016 | 2015 |
|--|--------------|----------------|
| Loss before income taxes | \$ (151,773) | \$ (5,421,082) |
| Combined statutory rate | 26.5% | 26.5% |
| Impairment of exploration and evaluation assets | (40,000) | (1,437,000) |
| Loss on dilution of CNRP | - | 1,429,000 |
| Gain on dilution of ownership interest in associates | 117,000 | - |
| Financing costs amortization | (50,000) | - |
| Share-based compensation | (2,000) | (2,000) |
| Other | - | 2,000 |
| Other | (43,000) | (21,000) |
| Benefit of tax losses not recognized | 18,000 | 29,000 |
| | \$ - | \$ - |

Winston Resources Inc.
Notes to Consolidated Financial Statements
Year Ended July 31, 2016
(Expressed in Canadian Dollars)

16. Income Taxes (continued)

As at July 31, 2016, the Company has Canadian non-capital losses of approximately \$911,000 (2015 - \$841,000) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

| | |
|-------------|-------------------|
| 2032 | \$ 26,000 |
| 2033 | 593,000 |
| 2034 | 159,000 |
| 2035 | 63,000 |
| 2036 | 70,000 |
| | \$ 911,000 |

Deferred income tax assets

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

| | 2016 | 2015 |
|--|-------------------|-------------|
| Benefit of non-capital losses | \$ 241,000 | \$ 286,000 |
| Mineral property exploration | 257,000 | 2,299,000 |
| Share issue costs | - | 1,000 |
| Less: Valuation allowance (100% impairment deferred tax asset) | (498,000) | (2,586,000) |
| | \$ - | \$ - |

Deferred income tax assets have been impaired 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.

17. Segmented Information

The Company's operations are comprised of a single reporting operating segment engaged in the exploration and evaluation of mineral resources. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent a single reporting segment. As at July 31, 2016, all of the Company's exploration and evaluation assets and liabilities are situated in Canada.