

Crest Petroleum Corp.
(A Capital Pool Company)

Management Discussion & Analysis

For the three and six months ended August 31, 2015

CREST PETROLEUM CORP.

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Management discussion and analysis

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This Management Discussion and Analysis (“**MD&A**”) was prepared as at October 30, 2015 to assist readers in understanding Crest Petroleum Corp’s (the “Company”) financial performance for the three and six months ended August 31, 2015. This MD&A should be read in conjunction with the condensed interim financial statements for the three and six months ended August 31, 2015 and related notes (the “**Interim Financial Statements**”) and the audited financial statements for the year ended February 28, 2015 and related notes (the “**Annual Financial Statements**”). These Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in Canadian dollars. Additional information can be found at the website www.sedar.com.

Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company’s plans, objectives, and budgets may differ materially from actual results. See additional discussion under “Risks and Uncertainties” section.

CORPORATE PROFILE AND OVERALL PERFORMANCE

The Company was incorporated on January 24, 2012, under the laws of the Province of British Columbia, Canada. Following the completion of its initial public offering (“IPO”) on June 26, 2012, (the “Listing Date”), the Company secured designation as a Capital Pool Company (“CPC”), according to the TSX Venture Exchange (the “Exchange”).

The head office of the Company is located at Suite 610 - 815 West Hastings Street, Vancouver, British Columbia, V6C 1B4.

The Company’s principal activity is the identification, evaluation and negotiation for the acquisition of assets or a business (“Qualifying Transaction”). The Company has not yet commenced operations and has no significant assets other than cash.

On October 7, 2014, the Company had not completed a Qualifying Transaction within the prescribed time frame and the Company’s listing was transferred from the Exchange to the NEX trading board. The Company is presently listed and trading on the NEX under the symbol “CTP.H”.

As at August 31, 2015, the Company had cash of \$144,053 and working capital of \$112,238. See “Liquidity and Capital Resources” for further details.

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RESULTS OF OPERATIONS

As at August 31, 2015, the Company was a CPC. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses. See the summary of results, below:

Selected Financial Data

	Three months ended		Six months ended	
	August 31, 2015	August 31, 2014	August 31, 2015	August 31, 2014
	\$	\$	\$	\$
Interest income	-	543	-	543
General and administrative expenses	(19,676)	(119,570)	(34,790)	(298,641)
Net and comprehensive loss	(19,676)	(119,027)	(34,790)	(298,098)
Basic and diluted loss per share	(0.00)	(0.06)	(0.01)	(0.15)
Working capital	112,238	28,577	112,238	28,577
Total assets	144,981	119,576	144,981	119,576
Total shareholders' equity	112,238	28,577	112,238	28,577

Net and comprehensive loss

For the six months ended August 31, 2015, the Company had not yet achieved profitable operations and incurred a net and comprehensive loss of \$34,790 (August 31, 2014 - \$298,098) which has resulted in accumulated losses of \$625,870 (August 31, 2014 - \$549,859) since inception. This loss for the period resulted in a net loss per share (basic and diluted) for the six months ended August 31, 2015 of \$0.01 (August 31, 2014 - \$0.15).

Results of Operations

The operating and administrative expenses for the three months ended August 31, 2015 totalled \$19,676 (August 31, 2014 - \$119,570). The table below details the changes in major expenditures for the three months ended August 31, 2015 as compared to the corresponding three months ended August 31, 2014.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Professional fees	Decrease of \$69,365	Decreased as the Company incurred significantly higher legal fees in connection with an attempt to complete a Qualifying Transaction in the prior period
Registration and filing fees	Decrease of \$9,397	Decreased as the Company incurred higher filing fees in connection with an attempt to complete a Qualifying Transaction in the prior period
Travel and promotion	Decrease of \$18,011	Decreased as management incurred higher travel related costs in connection with an attempt to complete a Qualifying Transaction in the prior period

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The operating and administrative expenses for the six months ended August 31, 2015 totalled \$34,790 (August 31, 2014 - \$298,641). The table below details the changes in major expenditures for the six months ended August 31, 2015 as compared to the corresponding six months ended August 31, 2014.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Professional fees	Decrease of \$196,013	Decreased as the Company incurred significantly higher legal fees in connection with an attempt to complete a Qualifying Transaction in the prior period
Registration and filing fees	Decrease of \$30,198	Decreased as the Company incurred higher filing fees in connection with an attempt to complete a Qualifying Transaction in the prior period
Travel and promotion	Decrease of \$35,625	Decreased as management incurred higher travel related costs in connection with an attempt to complete a Qualifying Transaction in the prior period

Summary of quarterly results for the last consecutive 8 quarters

Historical quarterly financial information derived from the Company's eight most recently completed quarters is as follows:

	Quarters Ended			
	August 31, 2015	May 31, 2015	February 28, 2015	November 30, 2014
	\$	\$	\$	\$
Revenue (interest income)	-	-	-	286
Net and comprehensive loss	(19,676)	(15,114)	(3,697)	(37,524)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.03)
Working capital (deficit)	112,238	(27,758)	(12,644)	(8,947)
	August 31, 2014	May 31, 2014	February 28, 2014	November 30, 2013
	\$	\$	\$	\$
Revenue (interest income)	543	-	1,177	-
Net and comprehensive loss	(119,027)	(179,071)	(71,182)	(12,167)
Basic and diluted loss per share	(0.06)	(0.09)	(0.04)	(0.01)
Working capital (deficit)	28,577	147,604	326,675	408,103

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LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity.

The Company's liquidity and capital resources are as follows:

	August 31, 2015	February 28, 2015
	\$	\$
Cash	144,053	16,540
Prepaid expenses	928	3,111
Total current assets	144,981	19,651
Trade payables and accrued liabilities	32,743	32,295
Working capital (deficit)	112,238	(12,644)

As at August 31, 2015, the Company had cash of \$144,053 (February 28, 2015 - \$16,540) and had working capital of \$112,238 (February 28, 2015 – working capital deficit \$12,644). The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

In June 2015, the Company closed a non-brokered private placement of 3,000,000 shares at a price of \$0.055 per share for gross proceeds of \$165,000 which will be used for working capital purposes.

During the six months ended August 31, 2015, the Company used cash of \$37,487 in operating activities whereas the cash used in operating activities in the comparative period was significantly higher in the amount of \$241,453.

As of the date hereof, the Company did not have any commitments for capital expenditures.

RELATED PARTY TRANSACTIONS

As at August 31, 2015, the Company's total indebtedness to related parties for reimbursement of expenses amounted to \$1,304 (February 28, 2015 - \$1,304) which is included with trades payable and accrued liabilities. The amounts due to related parties are unsecured, non-interest bearing and due on demand.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet arrangements as at August 31, 2015 or as of the date of this report.

CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to income tax provisions and note disclosures. Actual results may differ from those estimates and judgments.

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ACCOUNTING STANDARDS AND AMENDMENTS NOT YET ADOPTED

There were no changes to the Company's accounting policies during the six months ended August 31, 2015.

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the six months ended August 31, 2015 and have not been applied in preparing the Interim Financial Statements.

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

RISKS & UNCERTAINTIES

The Company currently has no source of recurring income, has not commenced commercial operations, has no significant assets other than cash, has no history of earnings and does not intend to pay dividends. In addition, there can be no assurance that the Company will be able to obtain additional financing in the future on terms acceptable to the Company or at all.

The Company's success depends to a certain degree upon key members for the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

Business Strategy

As part of the TSX Venture Exchange's requirements, the Company has sought and will continue to seek a Qualifying Transaction ("QT"). In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Uncertainty of Funding

The Company has limited financial resources, and the search, acquisition and completion of a Qualifying Transaction which will require additional financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company. Further searching and acquisition efforts will depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its Qualifying Transaction search efforts or reduce or terminate its operations.

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Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the mining and energy industries, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

Substantial Volatility of Share Price

In recent years, the securities markets have experienced a high level of price and volume volatility, and the securities of many junior companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports.

Potential Dilution of Present and Prospective Shareholdings

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

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Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Trade payables and accrued liabilities are due within the current operating period. The Company has sufficient cash to settle current liabilities and has working capital of \$112,238.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to market risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

Capital Management

The Company defines capital as the Company's shareholders' equity. The Company's objectives when managing capital is to safeguard its accumulated capital by maintaining a sufficient level of funds to complete the Company's Qualifying Transaction while providing adequate returns to shareholders.

DISCLOSURE OF DATA FOR OUTSTANDING COMMON SHARES AND OPTIONS

As at the date of this report, the Company had:

- a. 76,400 shares held in escrow
- b. 4,750,000 common shares issued and outstanding; and
- c. 100,000 stock options outstanding and exercisable.

The following table summarizes the options outstanding and exercisable at the date of this report:

Exercise price	Number outstanding and exercisable	Expiry date
\$		
0.50	100,000	June 26, 2022

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on SEDAR at www.sedar.com including, but not limited to:

- the Company's condensed interim financial statements for the three and six months ended August 31, 2015; and
- the Company's audited financial statements for the year ended February 28, 2015

This MD&A has been approved by the Board on October 30, 2015.