

Crest Petroleum Corp.
(A Capital Pool Company)

Financial Statements
For the year ended February 29, 2016
(Expressed in Canadian Dollars)

CREST PETROLEUM CORP.
(A Capital Pool Company)
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(Expressed in Canadian Dollars)

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Independent Auditors' Report

To the Shareholders of Crest Petroleum Corp.:

We have audited the accompanying financial statements of Crest Petroleum Corp. (the "Company"), which comprise the statements of financial position as at February 29, 2016 and February 28, 2015, and the statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 assessing 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 the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Crest Petroleum Corp. as at February 29, 2016 and February 28, 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 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that casts substantial doubt about the Company's ability to continue as a going concern.

Calgary, Alberta
June 28, 2016

MNP LLP

Chartered Professional Accountants

MNP
LLP

CREST PETROLEUM CORP.
(A Capital Pool Company)
Statements of Financial Position
(Expressed in Canadian Dollars)

	February 29, 2016	February 28, 2015
	\$	\$
ASSETS		
Current		
Cash	104,807	16,540
Prepaid expenses	8,218	3,111
TOTAL ASSETS	113,025	19,651
LIABILITIES		
Current		
Trade payables and accrued liabilities (Note 3)	15,111	32,295
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 4)	692,508	532,836
Reserves (Note 4)	45,600	45,600
Accumulated deficit	(640,194)	(591,080)
	97,914	(12,644)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	113,025	19,651

Nature and continuance of operations (Note 1)
Subsequent event (Note 9)

These financial statements are authorized for issuance by the Board of Directors on June 28, 2016.

On behalf of the Board of Directors:

"Michael Keast"
Director

"Richard Silas"
Director

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

CREST PETROLEUM CORP.
(A Capital Pool Company)
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended	
	February 29, 2016	February 28, 2015
	\$	\$
Expenses		
Bank charge and interest	160	348
Office and general	6,325	33,680
Professional fees	31,959	225,458
Registration and filing fees	10,670	35,705
Travel and promotion	-	44,505
	<u>(49,114)</u>	<u>(339,696)</u>
Foreign exchange loss	-	(452)
Interest income	-	829
	<u>-</u>	<u>377</u>
Loss and comprehensive loss for the year	(49,114)	(339,319)
Basic and diluted loss per share	(0.01)	(0.19)
Weighted average number of common shares outstanding	3,823,770	1,819,490

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

CREST PETROLEUM CORP.
(A Capital Pool Company)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended	
	February 29, 2016	February 28, 2015
	\$	\$
Cash flows used in operating activities		
Net loss for the year	(49,114)	(339,319)
Changes in non-cash working capital items		
Accounts receivable	-	1,177
Prepaid expenses	(5,107)	(3,111)
Trade payables and accrued liabilities	(17,184)	(3,125)
	<u>(71,405)</u>	<u>(344,378)</u>
Cash flow from financing activities		
Shares issued for cash (Note 4)	165,000	-
Share issuance costs (Note 4)	(5,328)	-
	<u>159,672</u>	<u>-</u>
Net change in cash	88,267	(344,378)
Cash, beginning of year	<u>16,540</u>	<u>360,918</u>
Cash, end of year	<u>104,807</u>	<u>16,540</u>

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

CREST PETROLEUM CORP.**(A Capital Pool Company)**

Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital \$	Reserves \$	Accumulated Deficit \$	Total Shareholders' Equity (Deficiency) \$
Balance at February 28, 2014	2,000,000	532,836	45,600	(251,761)	326,675
Shares cancelled	(250,000)	-	-	-	-
Net loss for the year	-	-	-	(339,319)	(339,319)
Balance at February 28, 2015	1,750,000	532,836	45,600	(591,080)	(12,644)
Shares issued in private placement	3,000,000	165,000	-	-	165,000
Share issuance costs	-	(5,328)	-	-	(5,328)
Net loss for the year	-	-	-	(49,114)	(49,114)
Balance at February 29, 2016	4,750,000	692,508	45,600	(640,194)	97,914

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Crest Petroleum Corp. (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”) and thereby qualifies as a Tier 2 issuer on the Exchange. The Company has not commenced operations and has no significant assets other than cash.

As of October 7, 2014, the Company had not completed a Qualifying Transaction within the prescribed time frame and, therefore, 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 June 28, 2016, the Company has not yet completed a Qualifying Transaction.

Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company cannot be expected to continue operations for the foreseeable future. As at February 29, 2016, the Company had incurred accumulated operating losses of \$640,194 and had working capital of \$97,914.

Management believes there are sufficient funds on hand to fund day-to-day operating expenses over the next twelve months and to continue seeking a Qualifying Transaction. However, additional financing will, in all likelihood, be required to fund the completion of a Qualifying Transaction which would be sought through equity and/or debt issuances. In the event the Company is successful in securing a Qualifying Transaction, there can be no assurance that any required additional financing can be secured. These circumstances cast significant doubt about the Company’s ability to continue as a going concern.

These financial statements do not give effect to adjustments that would be necessary to the reported carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect on March 1, 2015.

These financial statements were approved and authorized for issue by the audit committee and board of directors on June 28, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation and functional currency

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, the Company's functional currency, unless otherwise noted.

Significant accounting judgments, estimates and assumptions

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.

Cash

Cash includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Share capital

Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital.

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 the year presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company.

Diluted loss per share is calculated by 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in the statement of comprehensive loss. The Company's cash is classified as fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Other financial liabilities are subsequently measured at amortized cost. The Company has classified its trade payable and accrued liabilities as other financial liabilities.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Taxes

Current tax

Current tax for the year is 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax:

Deferred tax is provided using the 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 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 tax asset to be utilized.

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

Share-based compensation

The fair value of equity-settled share based payment transactions is estimated at the date of grant using the Black-Scholes option pricing model. This expense is recognized over a graded vesting period, the fair value of each tranche is recognized over its respective vesting period. When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises the estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates. These fair values are recognized as share based payments in the statement of comprehensive loss with a corresponding increase to reserves over the vesting period of the grant.

As the options are exercised, the consideration paid, together with the amount previously recognized in reserves, is recorded as an increase to share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

Equity-settled share based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended February 29, 2016 and have not been applied in preparing these financial statements:

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 the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers: On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year. Earlier application is permitted. The Company is currently analyzing the impact, if any, that the adoption of this standard will have on its financial statements.

IFRS 16 Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is currently assessing the impact of this new standard 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.

3. TRADE PAYABLES AND ACCRUED LIABILITIES

	February 29, 2016	February 28, 2015
	\$	\$
Trade payables	6,611	30,991
Accrued liabilities	8,500	-
Amounts due to related parties (Note 5)	-	1,304
	15,111	32,295

4. SHARE CAPITAL AND RESERVE

Authorized share capital

Unlimited number of voting common shares without par value.

Escrow shares

As at February 29, 2016, the Company had 382,000 (2015 – 382,000) shares held in escrow.

Issued share capital

In November 2014, the Company consolidated its common shares on a 1:5 basis. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this share consolidation, unless otherwise indicated.

During the year ended February 28, 2015, 250,000 common shares were cancelled.

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 and incurred share issuance costs of \$5,328 in connection with this private placement.

Stock Options

There were no new options granted in fiscal 2016 and 2015. A summary of the stock options outstanding and exercisable at February 29, 2016 is as follows:

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

The weighted average remaining life of the options outstanding at February 29, 2016 is 6.33 years.

5. RELATED PARTY TRANSACTIONS

As at February 29, 2016, the Company's total indebtedness to related parties for reimbursement of expenses amounted to \$nil (2015 - \$1,304) which was included with trades payable and accrued liabilities. The amounts due to related parties were unsecured, non-interest bearing and due on demand.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's trade payables and accrued liabilities approximate their carrying value. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

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 held in bank accounts. The Company has deposited its cash with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

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 \$97,914.

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.

7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed capital requirements as outlined in Policy 2.4 and summarized below:

- 1) No salary, consulting, management fees or similar remuneration of any kind may be paid directly or indirectly to a related party of the Company or a related party of a Qualifying Transaction;
- 2) Gross proceeds realized from the sale of all securities issued by a CPC may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a Qualifying Transaction;
- 3) No more than the lesser of \$210,000 and 30% of the gross proceeds from the sale of securities issued by a CPC may be used for purposes other than to identify and evaluate Qualifying Transaction;
- 4) After the completion of its IPO and until the completion of a Qualifying Transaction, a CPC may not issue any securities unless written acceptance of the TSX-V is obtained before the issuance of the securities.

As at February 29, 2016, the Company was in compliance with the above capital restrictions.

There were no changes in the Company's approach to capital management during the year ended February 29, 2016.

8. TAXES

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

	February 29, 2016	February 28, 2015
	\$	\$
Loss before income taxes	(49,114)	(339,319)
Statutory tax rate	26%	26%
Expected income tax recovery at statutory tax rates	(12,770)	(88,223)
Permanent differences	-	1,281
Changes in deferred tax asset not recognized	12,770	86,942
Total tax recovery	-	-

Details of the unrecognized deductible temporary differences are as follows:

	February 29, 2016	February 28, 2015
	\$	\$
Non-capital losses carry forward	672,321	610,389
Share issuance costs	18,065	25,556
Unrecognized deductible temporary differences	690,386	635,945

The non-capital losses carry forward expire as follows:

	\$
2032	5,682
2033	123,060
2034	135,505
2035	346,142
2036	61,932
	672,321

Deferred tax benefits which may arise as a result of these deductible temporary differences have not been recognized in these financial statements due to the uncertainty of their realization.

9. SUBSEQUENT EVENT

In June 2016, the Company entered into a binding letter of intent ("LOI") with GFG Resources Inc. ("GFG Resources") to acquire 100% of the issued and outstanding shares of GFG Resources ("GFG Shares), a private British Columbia mineral company, in exchange for shares of the Company which would result in a reverse take-over of the Company by the shareholders of GFG Resources (the "Transaction").

9. SUBSEQUENT EVENT (CONTINUED)

Pursuant to the terms of the LOI, the shareholders of GFG (the “GFG Shareholders”) will exchange all GFG Shares for common shares of the Company on a one for one basis. Likewise, all outstanding GFG stock options will be exchanged for stock options of the Company on the same basis.

The LOI may be terminated by either party if closing of the Transaction has not occurred on or before October 17, 2016. Upon completion of the transaction, the combined entity will qualify as a Tier I Mining Issuer (as defined by the TSX-V).