

1070900 B.C. Ltd.
(formerly GFG RESOURCES INC.)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

EXPRESSED IN U.S. DOLLARS
(Unaudited)

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)****Condensed Interim Consolidated Statements of Financial Position****(Expressed in U.S. Dollars)****(Unaudited)**

	September 30, 2016	June 30, 2016
	\$	\$
Assets		
Current Assets		
Cash (Note 4)	3,041,708	910,388
Restricted cash	15,000	15,000
Receivables	7,293	-
Prepaid expenses	35,507	28,614
	<u>3,099,508</u>	<u>954,002</u>
Long-term deposit	10,605	10,000
Exploration and evaluation assets (Note 5)	3,878,544	2,930,933
Reclamation bonds (Note 6)	<u>304,100</u>	<u>286,000</u>
Total Assets	<u>7,292,757</u>	<u>4,180,935</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	387,127	307,859
Advances (Note 8)	15,000	165,000
Promissory notes (Note 9)	-	595,667
	<u>402,127</u>	<u>1,068,526</u>
Shareholders' equity		
Share capital (Note 10)	7,935,533	3,888,339
Shares to be issued (Note 5)	137,500	137,500
Reserves (Note 10)	242,720	162,126
Deficit	<u>(1,425,123)</u>	<u>(1,075,556)</u>
	<u>6,890,630</u>	<u>3,112,409</u>
Total Liabilities and Shareholders' Equity	<u>7,292,757</u>	<u>4,180,935</u>
Commitments (Note 14)		
Subsequent Events (Note 15)		

These condensed interim consolidated financial statements are authorized for issuance by the Director on November 28, 2016.

 "Patrick Downey"
 Patrick Downey, Director

 "Jonathan Awde"
 Jonathan Awde, Director

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

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)****Condensed Interim Consolidated Statements of Comprehensive Loss**

(Expressed in U.S. Dollars)

(Unaudited)

	For the three months ended September 30,	
	2016	2015
	\$	\$
Expenses		
Bank charges and interest (Note 9)	5,419	9,917
Consulting fees (Note 11)	34,629	65,400
Foreign exchange loss	5,945	-
Insurance	1,380	1,002
Investor relations	6,000	-
Management fees (Note 11)	7,739	-
Office	18,335	194
Professional fees	133,500	65,216
Rent	18,894	9,300
Salaries and benefits (Note 11)	12,872	-
Share-based compensation (Notes 10 and 11)	80,594	148,234
Travel and related	24,260	-
	<u>(349,567)</u>	<u>(299,263)</u>
Loss and comprehensive loss for the period		
	<u>(0.01)</u>	<u>(0.01)</u>
Basic and diluted loss per share		
	<u>36,824,140</u>	<u>30,675,707</u>
Weighted average number of common shares outstanding		

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

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in U.S. Dollars)

(Unaudited)

	Number of Shares Issued	Share Capital	Obligation to issue shares	Subscription received	Reserves	Deficit	Total
		\$	\$	\$	\$	\$	\$
Balance at June 19, 2015	-	-	-	-	-	-	-
Shares issued for cash	5,136,400	153,636	-	-	-	-	153,636
Net loss for the period	-	-	-	-	-	(40,487)	(40,487)
Balance at June 30, 2015	5,136,400	153,636	-	-	-	(40,487)	113,149
Shares issued for cash	5,683,000	672,995	-	-	-	-	672,995
Subscription received	-	-	-	25,000	-	-	25,000
Shares issued for exploration and evaluation assets	2,000,000	500,000	-	-	-	-	500,000
Share-based compensation	-	-	-	-	148,234	-	148,234
Net loss for the period	-	-	-	-	-	(299,263)	(299,263)
Balance at September 30, 2015	12,819,400	1,326,631	-	25,000	148,234	(339,750)	1,160,115
Shares issued for cash	4,978,600	1,665,319	-	(25,000)	-	-	1,640,319
Shares issued for debts settlement	2,438,557	609,639	-	-	-	-	609,639
Shares issued for exploration and evaluation assets	947,000	236,750	-	-	-	-	236,750
Penalty shares issued	200,000	50,000	-	-	-	-	50,000
Obligation to issue shares	-	-	137,500	-	-	-	137,500
Share-based compensation	-	-	-	-	13,892	-	13,892
Net loss for the period	-	-	-	-	-	(735,806)	(735,806)
Balance at June 30, 2016	21,383,557	3,888,339	137,500	-	162,126	(1,075,556)	3,112,409
Shares repurchased by GFG Resources (US) Inc.	(97,000)	(24,250)	-	-	-	-	(24,250)
Share capital of GFG Resources (US) Inc.	(21,286,557)	-	-	-	-	-	-
Share capital of the Company	14,740,564	-	-	-	-	-	-
Shares issued pursuant to acquisition	21,286,557	3,580,405	-	-	-	-	3,580,405
Recapitalization costs	-	(73,773)	-	-	-	-	(73,773)
Shares issued for cash	2,350,000	587,500	-	-	-	-	587,500
Shares repurchased	(90,750)	(22,688)	-	-	-	-	(22,688)
Share-based compensation	-	-	-	-	80,594	-	80,594
Net loss for the period	-	-	-	-	-	(349,567)	(349,567)
Balance at September 30, 2016	38,286,371	7,935,533	137,500	-	242,720	(1,425,123)	6,890,630

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

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)****Condensed Interim Consolidated Statements of Cash Flows****(Expressed in U.S. Dollars)**

	For the three months ended September 30,	
	2016	2015
	\$	\$
Cash flows used in operating activities		
Net loss for the period	(349,567)	(299,263)
Items not affecting cash:		
Share-based compensation	80,594	148,234
Accretion interest	4,333	9,564
Changes in non-cash working capital items		
Increase in receivables	(5,872)	(695)
Increase in prepaid expenses and deposit	(7,498)	(18,773)
Increase (decrease) in accounts payable and accrued liabilities	(152,038)	75,187
	<u>(430,048)</u>	<u>(85,746)</u>
Cash flows used in investing activities		
Reclamation bonds	(18,100)	-
Exploration and evaluation assets expenditures	(861,081)	(748,255)
	<u>(879,181)</u>	<u>(748,255)</u>
Cash flows from financing activities		
Proceeds from related parties	-	48,150
Share repurchased	(46,938)	-
Proceeds from share issuances	587,500	672,995
Proceeds from subscriptions receivable	-	25,000
Proceeds from issuance (repayment of) notes payable	(600,000)	90,300
Cash acquired on recapitalization	2,904,308	-
Loan from 1070900 B.C. Ltd. prior to recapitalization	819,452	-
Repayment of advance	(150,000)	-
Recapitalization costs	(73,773)	-
	<u>3,440,549</u>	<u>836,445</u>
Net change in cash	2,131,320	2,444
Cash, beginning of period	910,388	901
Cash, end of period	3,041,708	3,345
Non-cash transactions		
Shares issued in advance of subscriptions received	-	4,331
Shares issued for exploration and evaluation assets	-	500,000
Exploration and evaluation assets expenditures in accounts payable at period end	86,530	-
Promissory note issued for exploration and evaluation assets	-	545,455
Reclassification from long term deposit to exploration and evaluation assets	-	150,000
Prepaid expenses and deposits in account payable at period end	-	1,275

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

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)**

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2016

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 1 - Nature and Continuance of Operations

1070900 B.C. Ltd. (formerly GFG Resources Inc.) (the “Company”) was incorporated under the Business Corporations Act of British Columbia on April 5, 2016 as GFG Resources Inc. and changed its name to 1070900 B.C. Ltd. The principal business of the Company is to acquire, explore and develop interests in exploration and evaluation assets.

The Company’s head office address is suite 202 – 640 Broadway Avenue, Saskatoon, Saskatchewan, Canada, S7N 1A9. The Company’s registered and records office address is suite 650 – 1188 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4A2.

On August 24, 2016, pursuant to an arrangement agreement (the “Arrangement”), dated July 5, 2016, the Company issued 21,286,557 common shares and 875,000 stock options in exchange for all of the issued and outstanding shares of GFG Resources (US) Inc. (“GFG-US”) on a 1:1 basis. (Note 3)

The acquisition resulted in the shareholders of GFG-US acquiring control of the Company; therefore, the transaction has been accounted for as a reverse acquisition by GFG-US, the legal subsidiary, being treated as the accounting parent and 1070900 B.C. Ltd., the legal parent, being treated as the accounting subsidiary. Accordingly, the consolidated results of operations of the Company include those of GFG-US and its subsidiary for all periods shown and those of the Company since the date of the reverse acquisition.

GFG-US was a private company, incorporated on June 19, 2015, under the laws of the state of Nevada and engaged in the identification, acquisition, exploration and development of an exploration and evaluation asset.

NOTE 2 - Significant Accounting Policies and Basis of Preparation

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

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and GFG-US since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company and GFG-US for the year ended June 30, 2016.

The accounting policies applied in preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the financial statements of the Company and GFG-US for the year ended June 30, 2016.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries GFG-US and JMO Exploration (US) Inc., both of which were incorporated under the laws of the State of Nevada. All intercompany transactions have been eliminated upon consolidation.

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)**

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2016

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 3 – Acquisition

Pursuant to the Arrangement, the assets and liabilities of the Company as at August 24, 2016 assumed on the recapitalization are as follows:

	\$
Cash	2,904,308
Receivables	1,421
Due from GFG-US	819,452
Accounts payable and accrued liabilities	<u>(144,776)</u>
Net assets	<u><u>3,580,405</u></u>

The net assets of GFG of \$3,580,405 assumed on the recapitalization are added to share capital. The net costs for the recapitalization in the amount of \$73,773 were charged to equity.

The consolidated statement of financial position as at September 30, 2015 and the consolidated statements of loss and comprehensive loss and cash flows for the period from July 1, 2015 to September 30, 2015 are those of GFG-US and JMO Exploration (US) Inc. The consolidated statements of loss and comprehensive loss and cash flows include GFG-US's results of operations and cash flows for the three months ended September 30, 2016 and the Company's results of operations from August 24, 2016 (the date of the reverse acquisition) to September 30, 2016.

NOTE 4 – Cash

	September 30, 2016	June 30, 2016
	\$	\$
Cash	2,844,805	900,531
Cash held in trust accounts	196,903	9,857
	<u>3,041,708</u>	<u>910,388</u>

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)**

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2016

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 5 – Exploration and Evaluation Assets

Expenditures for the fiscal period related to an exploration and evaluation asset located in Wyoming, USA and are as follows:

	<u>Rattlesnake</u>
	\$
Balance as at June 30, 2015	-
Property acquisition and staking costs	2,421,030
Exploration expenses	
Claim maintenance fees	245,830
Consulting	66,000
Lease payment	21,240
Geological	168,153
Site development	1,260
Supplies	812
Travel	6,608
	<u>6,608</u>
Balance as at June 30, 2016	<u>2,930,933</u>
Additions:	
Property acquisition and staking costs	193,065
Exploration expenses	
Claim maintenance fees	198,827
Consulting	39,950
Lease payment	1,480
Geological	444,794
Geophysics	5,156
Sampling/processing	33,312
Site development (recovery)	(1,260)
Supplies	8,569
Vehicle	23,718
	<u>947,611</u>
Balance as at September 30, 2016	<u>3,878,544</u>

In July 2015, the Company entered into an asset purchase agreement with Evolving Gold Corp. (“Evolving Gold”) to acquire a 100% interest in certain claims and Wyoming State leases comprising the Rattlesnake Property in Wyoming (“Rattlesnake Acquisition”).

Total consideration consisted of:

- (1) Initial deposit of \$150,000 (paid and recognized as long-term deposit in 2015);
- (2) Cash payment of \$564,000 payable upon closing (paid);
- (3) Share payment of 2,000,000 common shares of the Company payable upon closing a value of \$0.25 per share (“Consideration shares”) (issued);
- (4) Issuance of promissory note of \$600,000 (recorded at its estimated fair value on closing of \$545,455 repaid in full) (Note 9);
- (5) Share payment of 1,500,000 common shares of the Company provided that the Rattlesnake Property contains an aggregate mineral resource over 1,000,000 ounces of gold (not recorded as the probability is not yet determinable); and

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2016

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 5 – Exploration and Evaluation Assets (continued)

- (6) Share payment of 200,000 common shares of the Company provided that insignificant progress towards completion of the Company going public was made by February 15, 2016 (“Penalty Shares”) (issued with an estimated fair value of \$50,000 and recorded as an expense).

In conjunction with the Rattlesnake Acquisition, the Company acquired the reclamation bond of \$286,000 with the Wyoming Department of Environmental Equality from Evolving Gold. The Company paid \$271,000 to Evolving Gold and holds the remaining of \$15,000 in trust to cover 50% of the reclamation cost, up to a maximum of \$15,000, for restoring the Rattlesnake Property. As at September 30, 2016, the Company has posted a reclamation bond of \$304,100 (Note 6).

The Rattlesnake Property is subject to a 2% Net Smelter Return (“NSR”), which becomes payable after commencement of commercial production. The Company has the right to purchase one-half of the royalty for a price of \$1,000,000.

In October 2015, the Company entered into an asset purchase agreement with Endurance Gold Corporation (“Endurance”) to acquire a 100% interest in certain mining claims and leases adjacent to the Rattlesnake Property in Wyoming (“Rattlesnake Claims”).

Total consideration consisted of:

- (1) Initial deposit of \$25,000 (paid);
- (2) Cash payment of \$125,000 payable upon closing (paid);
- (3) Share payment of 850,000 common shares of the Company payable upon closing at a value of \$0.25 per share (issued);
- (4) Share payment of 550,000 common shares of the Company payable on or before February 6, 2017 (recognized as obligation to issue shares at a value of \$137,500);
- (5) Share payment of 375,000 common shares of the Company upon drilling of a discovery hole on the Endurance Claims prior to October 8, 2022; and
- (6) Share payment of 375,000 common shares of the Company provided that upon delivering a NI 43-101-compliant resource exceeding 500,000 ounces of gold at the Endurance Claims prior to October 8, 2022.

The additional common shares issuable upon drilling a discovery hole and delivering the NI 43-101 compliant resource of at least 500,000 ounces of gold prior to October 8, 2022 have not been recorded as the probability of achieving these objectives is not yet determinable.

The acquisition of the Rattlesnake Claims is subject to an underlying option agreement to acquire a 100% interest in certain lode mining claims and Wyoming state leases. The remaining terms of the option agreement assumed by the Company are as follows:

- Cash payment of \$35,000 on or before October 8, 2015 (paid);
- Cash payment of \$35,000 on or before December 31, 2015 (paid);
- Share payment of 97,000 common shares of the Company on closing (issued); and
- Exploration expenditures of \$260,000 incurred on or before December 31, 2015 (incurred).

The Rattlesnake Claims are subject to:

- 2% NSR on production arising from mining claims; and
- 1% NSR on production arising from mining leases.

In July 2016, the Company exercised its option to buy-down certain NSR royalty for \$50,000 pursuant to the underlying option agreement.

Pursuant to the exercise its option to buy-down certain NSR royalty, the Company fulfilled its obligations under the terms of the agreements. The Company has been assigned all rights, title and interest in and to the Claims, which are situated in Natrona County, Wyoming.

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2016

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 5 – Exploration and Evaluation Assets (continued)

The Company has the right to purchase one-half of the royalties for a price of \$750,000 before December 31, 2017 and \$1,500,000 after December 31, 2017.

During the three months ended September 30, 2016, the Company incurred \$143,065 in staking costs for additional mineral claims.

NOTE 6 - Reclamation Bonds

In relation to the Rattlesnake Property, the Company has posted reclamation bonds with the Wyoming Department of Environmental Equality in the amount of \$304,100 (2016 - \$286,000).

NOTE 7 – Accounts Payable and Accrued Liabilities

	September 30, 2016	June 30, 2016
	\$	\$
Accounts payable	344,080	232,999
Accrued liabilities	43,047	74,860
	387,127	307,859

NOTE 8 - Advances

As at September 30, 2016, there is a balance of \$15,000 (June 30, 2016 - \$165,000) payable to Evolving Gold. The advances are unsecured, non-interest bearing and due on demand.

NOTE 9 – Promissory Notes

In July 2015, the Company issued a promissory note of \$600,000 to Evolving Gold as consideration of acquiring certain claims of the Rattlesnake Property (Note 5). The note does not bear interest and is secured by the Rattlesnake Property. It was due and repaid in full on July 15, 2016. At the issuance date, the fair value of the promissory note was estimated to be \$545,455 determined using an estimated market rate of 10%. During the year end June 30, 2016, the Company recognized accretion interest expense of \$50,212. During the three months ended September 30, 2016, the Company recognized accretion interest expenses of \$4,333 (September 30, 2015 - \$9,564).

NOTE 10 - Share Capital and Reserves**Authorized share capital**

Unlimited number of common shares without par value.

Issued share capital

In July 2015, GFG-US issued 2,000,000 common shares to Evolving Gold pursuant to the Rattlesnake Acquisition (Note 5). The fair value of common shares issued was estimated to be \$500,000.

In October 2015, GFG-US issued 850,000 common shares to Endurance Gold and issued a further 97,000 common shares for the underlying option agreement pursuant to the acquisition of the Rattlesnake Mining Claims (Note 5). The fair value of common shares issued was estimated to be \$236,750.

In February 2016, GFG-US issued 200,000 common shares to Evolving Gold pursuant to the Rattlesnake Property Acquisition (Note 5). The fair value of common shares issued was estimated to be \$50,000.

During the year ended June 30, 2016, GFG-US issued 2,438,557 common shares with an estimated fair value of \$609,639 in settlement of debts including promissory notes and advances. A loss of \$29,750 was realized as a result of the debts settlement.

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)****Notes to Condensed Interim Consolidated Financial Statements****For the three months ended September 30, 2016**

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 10 - Share Capital and Reserves (continued)**Issued share capital (continued)**

During the year ended June 30, 2016, GFG-US completed private placements of 10,661,600 common shares at a price of \$0.25 per share for proceeds totalling \$2,338,314.

On August 24, 2016, pursuant to the completion of the acquisition (Note 3), the Company issued 21,286,557 common shares in exchange for all of GFG-US's issued and outstanding common shares on a 1:1 basis. Of the shares thus exchanged, certain shares are being withheld, pending the receipt of clearance certificates from the U.S. Internal Revenue Service. As discussed in Note 3, since the former shareholders of GFG-US effectively assumed control of the Company, the acquisition has been treated for accounting purposes as a recapitalization of GFG-US through the acquisition of the Company.

During the three months ended September 30, 2016, GFG-US reacquired 97,000 common shares of GFG-US from one shareholder for \$24,250.

During the three months ended September 30, 2016, the Company completed various private placements of 2,350,000 shares of the Company at a price of \$0.25 per share for proceeds totalling \$587,500. In addition, the Company reacquired 90,750 common shares of the Company from various shareholders for \$22,688.

Stock options

In August 2015, GFG-US granted 800,000 stock options exercisable for a period of five years, valued at \$0.18 per option for a total value of \$148,234 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 0.72%, a forfeiture rate of 0%, and volatility of 100%.

In January 2016, GFG-US granted 75,000 stock options exercisable for a period of five years, valued at \$0.18 per option for a total value of \$13,892 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 0.68%, a forfeiture rate of 0%, and volatility of 100%.

On August 24, 2016, pursuant to the completion of the acquisition (Note 3), the Company issued 875,000 stock options in exchange for 875,000 stock options of GFG-US.

In September 2016, the Company granted 1,562,500 stock options exercisable for a period of 2 months, valued at \$0.40 per option for a total value of \$57,455 calculated using the Black-Scholes option pricing model assuming a life expectancy of two months, a risk free rate of 0.46%, a forfeiture rate of 0%, and volatility of 100%.

In September 30, 2016, the Company also granted 125,000 stock options exercisable for a period of 5 years, valued at \$0.19 per option for a total value of \$23,139 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 0.59%, a forfeiture rate of 0%, and volatility of 100%.

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
		\$
Outstanding at June 19, 2015 and June 30, 2015	-	-
Granted	875,000	0.25
Outstanding at June 30, 2016	875,000	0.25
Granted	1,687,500	0.25
Outstanding at September 30, 2016	2,562,500	0.25

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2016

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 10 - Share Capital and Reserves (continued)**Stock options (continued)**

A summary of the stock options outstanding and exercisable at September 30, 2016 is as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
\$			
0.25	800,000	800,000	August 1, 2020
0.25	75,000	75,000	January 4, 2021
0.25	1,562,500	1,562,500	October 20, 2016
0.25	125,000	125,000	September 1, 2021
	2,562,500	2,562,500	

Stock option reserve

The stock option reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If vested options expire unexercised or are forfeited, the amount previously recorded is transferred to deficit.

NOTE 11 - Related Party Transactions

Summary of key management personnel compensation:

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer.

	For the three months ended September 30,	
	2016	2015
	\$	\$
Consulting fees	14,000	22,500
Management fees	23,025	42,900
Exploration and evaluation assets expenditures	25,750	-
Salaries and benefits	17,012	-
Share-based compensation	53,474	64,852
	133,261	130,252

As at September 30, 2016, included in accounts payable is \$1,666 (2015: \$Nil) owed to the director of the Company.

As at September 30, 2016, included in accrued liabilities is \$2,300 (2015: \$Nil) owed to the VP of Business Development of the Company.

NOTE 12 - Capital Disclosure and Management

The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholders' equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares through private placement, incur debt or return capital to shareholders.

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Notes to Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2016

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 13 - Financial Instruments and Risk Management

The Company has exposure to the following risks from its use of financial instruments.

a. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's exposure to credit risk is on its cash held with Bank of Montreal. The carrying amounts represents the maximum credit exposure.

b. Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company has working capital of \$2,697,381 at September 30, 2016.

c. Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has determined there is no material exposure related to interest rate risk.

d. Foreign Exchange Risk

Foreign exchange risk is the risk that fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

NOTE 14 - Commitments

- a. In July 2015, the Company entered into a commercial lease agreement which expired on July 31, 2016. In July 2016, the Company extended the term to July 31, 2017. The Company paid a security deposit of \$10,000.

	Total
	\$
2017	41,850
2018	4,650
Total	46,500

- b. In August 2015, the Company entered into a financial advisory agreement with a consultant for an indefinite term whereby the Company pays \$10,000 per month. In the event of termination without cause, change of control, and triggering events, the agreement provides for a payment of two times the annual payment.

Triggering Events are the following events that occur without the agreement of the consultants:

- i) Substantial change to the nature of the services to be performed by the consultant,
 - ii) A material breach by the Company of any provision of the agreement,
 - iii) Cessation of operations of the Company,
 - iv) Failure of paying when due a material amount payable by the Company to the consultant, and
 - v) A material reduction of the fee.
- c. In December 2015, the Company entered into an employment agreement with the Vice-President of Exploration for an indefinite term whereby the Company pays \$8,000 per month. In the event of change of control, the agreement provides for a payment of two times the annual payment.

1070900 B.C. LTD.**(formerly GFG RESOURCES INC.)****Notes to Condensed Interim Consolidated Financial Statements****For the three months ended September 30, 2016**

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 14 – Commitments (continued)

- d. In June 2016, the Company entered into an agreement with a consultant, who was hired as the Chief Executive Officer (“CEO”) of the Company upon completion of the share exchange transaction with GFG-US to provide management consulting services to the Company for an indefinite period. The Company pays C\$10,000 per month as a consulting fee and will increase the fees to C\$20,833 per month as salary upon closing of Going Public Transaction (“GPT”).

Concurrent to completion of the GPT, the Company will issue the restricted common shares of the Company at a minimum of 300,000 shares up to a maximum of 600,000 shares. The shares vest over 3 years commencing the date of completion of GPT with 25% on the completion date and 25% on each of the first, second, and third anniversary of the completion date.

In the event of termination without cause or in the event of death or disability, the agreement provides for a payment equal to two times annual salary.

In the event of change of control of the Company, the agreement provides for a payment equal to three times annual salary. All outstanding stock options become immediately exercisable in full.

- e. In September 2016, the Company entered into an agreement with its Vice-President, Business Development. The Company agreed to pay C\$600 per day and increased to C\$155,000 per year upon closing of GPT. In the event of change of control, the agreement provides for a payment of two times the annual salary.

NOTE 15 – Subsequent Events

- a. On October 21, 2016, the Company completed an arrangement agreement (“Agreement”) with Crest Petroleum Corp. (“Crest”) whereby Crest acquired 100% of the issued and outstanding shares of the Company (“Shares”) in exchange for shares of Crest which was a reverse acquisition of Crest by the shareholders of the Company (the “Transaction”).

Pursuant to the terms of the Agreement, the shareholders of the Company will exchange all Shares for common shares of Crest on a one for one basis. Likewise, all outstanding stock options of the Company will be exchanged for stock options of Crest on the same basis.

- b. In October 2016, the Company issued 2,262,500 common shares for total proceeds of \$565,625 from the exercise of 2,262,500 stock options at an exercise price of \$0.25 per option.
- c. In October 2016, the Company entered into a purchase and sale agreement to purchase an undivided 100% interest in certain claims and state leases located in Natrona County, Wyoming, U.S. (“IEV Property”). The Company paid \$30,000 in cash and issued 200,000 common shares of the Company. The Company also paid \$9,423 to the vendors as reimbursement of certain expenses. The purchase and sale agreement is subject to a 1% NSR royalty.