



GFG Resources Inc.
(An Exploration Stage Company)

Condensed Consolidated
Interim Financial Statements
(Unaudited)

For the nine months ended March 31, 2017

FOR FURTHER INFORMATION PLEASE CONTACT:

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TRADING SYMBOLS:

TSX-V: GFG

OTCQB - GFGSF

GFG Resources Inc.
(formerly Crest Petroleum Corp.)

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED MARCH 31, 2017
EXPRESSED IN U.S. DOLLARS
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of GFG Resources Inc. for the three and nine months ended March 31, 2017 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instruments 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements.

GFG RESOURCES INC.**(formerly Crest Petroleum Corp.)****Condensed Interim Consolidated Statements of Financial Position**

(Expressed in U.S. Dollars)

(Unaudited)

	March 31, 2017	June 30, 2016
	\$	\$
Assets		
Current Assets		
Cash (Note 5)	4,498,945	910,388
Restricted cash	15,000	15,000
Receivables	27,634	-
Prepaid expenses and deposits	53,417	28,614
	4,594,996	954,002
Long-term deposits	28,148	10,000
Exploration and evaluation assets (Note 6)	5,088,842	2,930,933
Reclamation bonds (Note 7)	448,100	286,000
	10,160,086	4,180,935
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	47,543	307,859
Advances (Note 9)	15,000	165,000
Promissory note (Note 10)	-	595,667
	62,543	1,068,526
Shareholders' Equity		
Share capital (Note 11)	13,420,891	3,888,339
Obligation to issue shares (Notes 4 and 6)	-	137,500
Reserves (Note 11)	784,211	162,126
Deficit	(4,107,559)	(1,075,556)
	10,097,543	3,112,409
	10,160,086	4,180,935

Commitments (Note 15)

 "Patrick Downey"

Patrick Downey, Chair

 "Arnold Klassen"

Arnold Klassen, Audit Chair

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

GFG RESOURCES INC.**(formerly Crest Petroleum Corp.)****Condensed Interim Consolidated Statements of Comprehensive Loss**

(Expressed in U.S. Dollars)

(Unaudited)

	Three months ended March 31, 2017	Nine months ended March 31, 2017
	\$	\$
Expenses		
Bank charges and interest	1,694	10,244
Consulting fees	3,742	52,024
Directors' fees	26,547	43,477
Insurance	5,207	9,547
Investor relations	82,559	187,539
Listing fee (Note 4)	-	1,256,566
Management fees	-	7,739
Office	12,879	70,409
Membership and dues	8,561	19,170
Professional fees	30,976	169,821
Rent	33,068	81,868
Salaries and benefits	103,769	229,348
Share-based compensation (Note 11)	510,244	805,411
Travel and related	22,360	79,823
	(841,606)	(3,022,986)
Other income (expense)		
Foreign exchange gain (loss)	6,098	(11,177)
Interest income	2,061	2,160
	8,159	(9,017)
Net loss and comprehensive loss	(833,447)	(3,032,003)
Basic and diluted loss per share	(0.02)	(0.08)
Weighted average number of common shares outstanding	46,019,648	38,253,643

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

GFG RESOURCES INC.
(formerly Crest Petroleum Corp.)
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	Share-Based Compensation Reserves	Deficit	Total
		\$	\$	\$	\$	\$
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. (Note 11)	(97,000)	(24,250)	-	-	-	(24,250)
Share capital of GFG Resources (US) Inc. (Note 4)	(21,286,557)	-	-	-	-	-
Recapitalization of 1070900 BC Ltd (Note 4)	14,740,564	-	-	-	-	-
Shares issued to shareholders of GFG Resources (US) Inc. (Note 4)	19,050,419	3,204,286	376,119	-	-	3,580,405
Recapitalization costs (Note 4)	-	(96,461)	-	-	-	(96,461)
Shares issued for cash (Note 11)	2,350,000	587,500	-	-	-	587,500
Exercise of stock options (Note 11)	2,302,500	775,215	-	(194,415)	-	580,800
Shares issued for exploration and evaluation assets (Notes 6 and 11)	100,000	25,000	-	-	-	25,000
Share capital of 1070900 BC Ltd. (Note 4)	(38,503,483)	-	-	-	-	-
Recapitalization of GFG Resources Inc. (Note 4)	4,750,000	1,187,500	-	7,259	-	1,194,759
Shares issued to shareholders of 1070900 BC Ltd (Note 4)	38,503,483	-	-	-	-	-
Share-based compensation (Note 11)	-	-	-	295,167	-	295,167
Net loss for the period	-	-	-	-	(2,198,556)	(2,198,556)
Balance at December 31, 2016	43,293,483	9,547,129	513,619	270,137	(3,274,112)	7,056,773
Shares issued pursuant to purchase agreement with Endurance Gold (Note 6)	550,000	137,500	(137,500)	-	-	-
Share issued for cash (Note 11)	4,350,000	3,360,143	-	-	-	3,360,143
Shares issued to shareholder of GFG Resources (US) Inc. (Notes 4 and 11)	2,144,193	376,119	(376,119)	-	-	-
Share-based compensation (Note 11)	-	-	-	514,074	-	514,074
Net loss for the period	-	-	-	-	(833,447)	(833,447)
Balance at March 31, 2017	50,337,676	13,420,891	-	784,211	(4,107,559)	10,097,543

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

GFG RESOURCES INC.
(formerly Crest Petroleum Corp.)
Condensed Interim Consolidated Statement of Cash Flows
(Expressed in U.S. Dollars)
(Unaudited)

	Nine months ended March 31, 2017
	\$
Cash flows used in operating activities	
Net loss for the period	(3,032,003)
Items not affecting cash:	
Share-based compensation	805,411
Accretion interest	4,333
Listing fee	1,256,566
Changes in non-cash working capital items:	
Receivables	(25,420)
Prepaid expenses and deposits	(42,951)
Accounts payable and accrued liabilities	(420,512)
	(1,454,576)
Cash flows used in investing activities	
Reclamation bonds	(162,100)
Exploration and evaluation assets expenditures	(2,125,489)
	(2,287,589)
Cash flows from financing activities	
Share repurchased	(24,250)
Exercise of options	580,800
Proceeds from share issuances	3,947,643
Repayment of promissory note	(600,000)
Cash acquired on recapitalization	2,963,793
Loan from 1070900 BC Ltd. prior to recapitalization	818,221
Repayment of advance	(150,000)
Recapitalization costs	(205,485)
	7,330,722
Increase in cash	3,588,557
Cash, beginning of period	910,388
Cash, end of period	4,498,945
Non-cash transactions:	
Shares issued for exploration and evaluation assets	25,000
Exploration and evaluation assets expenditures in accounts payable at period end	3,590
Fair value of stock options granted to employees who work directly on a mineral property	3,830

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

GFG RESOURCES INC.
(formerly Crest Petroleum Corp.)
Notes to Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

NOTE 1 - Nature and Continuance of Operations

GFG Resources Inc., formerly known as Crest Petroleum Corp., (the “Company” or “GFG”) was incorporated on January 24, 2012, under the laws of the Province of British Columbia, Canada. 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, S7N 1A9. The Company’s common shares are listed under the symbol “GFG” on the TSX Venture Exchange and on the OTCQB under the symbol “GFGSF”.

On October 21, 2016, the Company completed its acquisition of 1070900 BC Ltd. (“1070900”) which was accounted for as a reverse acquisition. Prior to the reverse acquisition with 1070900, on August 24, 2016, 1070900 completed its acquisition of GFG Resources (US) Inc. (“GFG-US”) which was accounted for as a reverse acquisition. Refer to Note 4 for details of these transactions.

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.

As 1070900 and GFG-US were non-reporting issuers during the nine months ended March 31, 2016, there are no comparatives reported for the periods presented.

The financial statements were authorized for issue by the Board of Directors on May 17, 2017.

Basis of presentation

These financial statements have been prepared on the historical cost basis except if otherwise noted.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries 1070900, GFG-US and JMO Exploration (US) Inc. All intercompany transactions have been eliminated upon consolidation.

Cash and Restricted cash

Cash comprises deposits in banks that are readily convertible into a known amount of cash, or with an initial maturity of less than 90 days. Restricted cash consists of cash deposited with a third party and held in trust.

Foreign currency translation

Amounts included in the consolidated financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional and presentation currency of the Company and its subsidiaries is the U.S. dollar. Monetary assets and liabilities of the Company denominated in currencies other than the U.S. dollar are translated to U.S. dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated to U.S. dollars at historical rates of exchange on the date of the transaction.

GFG RESOURCES INC.

(formerly Crest Petroleum Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2017

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 2 - Significant Accounting Policies and Basis of Preparation (Continued)

Transactions in foreign currencies are translated at the actual rates of exchange on the transaction dates. Gains and losses on foreign currency translation are recorded in the consolidated statement of net loss and comprehensive loss.

Exploration and evaluation expenditures

Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized. If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Share-based compensation

The Company may grant stock options to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options are measured on the date of grant, using the Black-Scholes option pricing model with an expense recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees who work directly on a mineral property are capitalized to exploration and evaluation expenditures.

The Company may grant Restricted Share Units (RSUs) to directors, officers, and employees. The fair value of the RSUs are estimated using the value on the grant date and are recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in reserves. As the RSUs are redeemed and common shares are issued, the amount previously recognized in reserves is recorded as an increase to share capital.

Financial instruments

The Company's financial instruments primarily consist of cash and cash equivalents (classified as loans and receivables), receivables (classified as loans and receivables), reclamation bonds (classified as loans and receivables) and accounts payable and accrued liabilities (classified as other financial liabilities), and advances (classified as other financial liabilities). The fair values of these financial instruments approximate their carrying values. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Loans and receivables recorded at amortized cost using the effective interest rate method. In addition, any impairment of loans and receivable is deducted from the amortized costs.
- Other financial liabilities are recorded at amortized cost using the effective interest rate method.

NOTE 3 - Accounting Standards

These are the changes the Company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards, if applicable, when they become effective.

- 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.

GFG RESOURCES INC.**(formerly Crest Petroleum Corp.)**

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2017

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 3 - Accounting Standards (Continued)

- b) 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, with early adoption permitted. 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.

NOTE 4 - Reverse Acquisitions**GFG Resources Inc. and 1070900 BC Ltd.**

On September 2, 2016, the Company entered in to an arrangement agreement to acquire 100% of the issued and outstanding shares of 1070900, in exchange for shares of the Company which would result in a reverse take-over of the Company by the shareholders of 1070900 (the "Transaction"). At the time of this Transaction the Company did not constitute a business as defined under IFRS 3 Business Combination, therefore the Transaction is accounted for under IFRS 2 Share-Based Payment, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As 1070900 is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the financial statements at their historical carrying values.

On October 21, 2016, the Transaction closed and the Company acquired, on a one for one basis, all issued and outstanding shares of 1070900 in exchange for 38,503,483 common shares of the Company.

The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired:

	\$
Consideration	1,187,500
Fair value of stock options assumed	7,259
Professional fees attributable to the transaction	109,024
	1,303,783
Assets acquired	
Cash	59,485
Prepaid expenses	793
Liabilities assumed	
Due to 1070900	(1,231)
Accounts payable and accrued liabilities	(11,830)
Net assets acquired	47,217
Listing fee	1,256,566

The fair value of the issued common shares of the Company was estimated to be \$0.25 per share using the price of a financing that was completed concurrently.

GFG RESOURCES INC.**(formerly Crest Petroleum Corp.)**

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2017

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 4 - Reverse Acquisitions (continued)

The Company assumed 40,000 stock options exercisable at \$0.38 (CAD \$0.50) expiring on June 26, 2022. The fair value of the issued stock options of the Company was \$7,259, determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected life (years)	5.68
Interest rate	1.26%
Volatility	100%
Dividend yield	0%

1070900 BC Ltd. and GFG Resources (US) Ltd.

On July 5, 2016, 1070900 entered in to an agreement and plan of share exchange with GFG-US to acquire all the issued and outstanding shares of GFG-US in exchange for common shares of 1070900, on a one share for one share equivalent basis. This would result in a reverse take-over of 1070900 by the shareholders of GFG-US (the "Arrangement").

On August, 24, 2016, the Arrangement closed and the shareholders of 1070900 reserved 21,194,612 common shares of 1070900 for all the issued and outstanding shares of GFG-US. Out of 21,194,612 common shares of 1070900, 19,050,419 common shares were issued in exchange for all of GFG-US's issued and outstanding common shares. In addition to the common shares exchanged, 2,144,193 additional shares were withheld, pending the receipt of clearance certificates from the U.S. Internal Revenue Service. In January 2017, the Company received the required clearance and issued the 2,144,193 common shares effective March 7, 2017.

The shareholders of 1070900 also issued 875,000 stock options in exchange for all the issued and outstanding stock options of GFG-US.

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

	\$
Assets acquired by 1070900	
Cash	2,904,308
Receivables	1,421
Due from GFG-US	819,452
Liabilities assumed by 1070900	
Accounts payable and accrued liabilities	(144,776)
Net assets acquired	3,580,405

The net assets of GFG-US of \$3,580,405 assumed on the recapitalization are added to share capital. The net costs for the recapitalization in the amount of \$96,461 were charged to equity.

The consolidated statements of comprehensive loss and cash flows include GFG-US's results of operations and cash flows for the nine months ended March 31, 2017, 1070900's results of operation and cash flows from the period of August 24, 2016 (the closing date of the Arrangement) to March 31, 2017, and the Company's results of operations and cash flows from October 21, 2016 (the closing date of the Transaction) to March 31, 2017.

GFG RESOURCES INC.**(formerly Crest Petroleum Corp.)**

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2017

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 5 - Cash

	March 31, 2017	June 30, 2016
	\$	\$
Cash	4,481,322	900,531
Cash held in trust accounts	17,623	9,857
	4,498,945	910,388

NOTE 6 - Exploration and Evaluation Assets

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

	Rattlesnake
	\$
Balance as at June 30, 2016	2,930,933
Additions:	
Acquisition and staking costs	284,305
Exploration expenses	
Claim maintenance fees	206,068
Consulting	85,137
Salaries & benefits ⁽¹⁾	128,914
Drilling	533,981
Geological	212,271
Geophysics	379,648
Geochem	187,107
Supplies	140,478
	2,157,909
Balance as at March 31, 2017	5,088,842

- (1) Salaries & benefits include \$3,830 in share based compensation costs – this represents the fair value of stock options granted to employees who work directly on a mineral property and were capitalized pursuant to the Company’s accounting policy (see *Note 2: Significant Accounting Policies and Basis of Preparation*).

Evolving Gold Corp. Transaction

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);
- (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 (repaid in full) (Note 10);
- (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,

GFG RESOURCES INC.**(formerly Crest Petroleum Corp.)**

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2017

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 6 - 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.

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.

Endurance Gold Corporation Transaction

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 (issued);
- (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 a certain NSR for \$50,000 pursuant to the underlying option agreement.

Pursuant to the exercise of 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.

GFG RESOURCES INC.
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Notes to Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2017
(Expressed in U.S. Dollars)
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NOTE 6 - 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.

IEV Transaction

In October 2016, the Company entered into an asset purchase agreement to acquire a 100% interest in additional mining claims and leases adjacent to the Rattlesnake Property in Wyoming ("IEV Property"). Total consideration consisted of a cash payment of \$39,423 and 100,000 common shares having a fair value of \$25,000. The IEV Property is subject to an NSR of 1% on production arising from mining claims and 0.5% on productions arising from mining leases. The Company can repurchase one-half of the NSR for \$250,000.

NOTE 7 - Reclamation Bonds

In relation to the Rattlesnake Property, the Company has posted or acquired reclamation bonds with the Wyoming Department of Environmental Quality in the amount of \$448,100 (June 30, 2016 - \$286,000).

NOTE 8 - Accounts Payable and Accrued Liabilities

	March 31, 2017	June 30, 2016
	\$	\$
Accounts payable	24,564	232,999
Accrued liabilities	22,979	74,860
	47,543	307,859

NOTE 9 - Advances

As at March 31, 2017, 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 10 - Promissory Note

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 6). The note did not bear interest and is secured by the Rattlesnake Property. As of March 31, 2017, the note was fully repaid. During the nine months ended March 31, 2017, the Company recognized accretion interest expense of \$4,333.

NOTE 11 - Share Capital and Reserves

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

On August 24, 2016, pursuant to the completion of the Transaction (Note 4), 1070900 agreed to exchange all of GFG-US's issued and outstanding common shares on a 1:1 basis. As discussed in Note 4, the Company issued 19,050,419 common shares to GFG-US shareholders. The remaining of 2,144,193 common shares were withheld, pending the receipt of clearance certificates from the U.S. Internal Revenue Service. In January 2017, the Company received the required clearance and issued the 2,144,193 common shares effective March 7, 2017.

GFG RESOURCES INC.**(formerly Crest Petroleum Corp.)**

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2017

(Expressed in U.S. Dollars)

(Unaudited)

NOTE 11 - Share Capital and Reserves (continued)

During the nine months ended March 31, 2017, GFG-US reacquired 97,000 of its common shares from one shareholder for \$24,250 and 1070900 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.

On October 20, 2016, 1070900 issued 100,000 common shares with a fair value of \$25,000 pursuant to the purchase of an exploration and evaluation asset (the "IEV Property").

On October 21, 2016, pursuant to the completion of a reverse acquisition (Note 4), GFG Resources Inc. (formerly Crest Petroleum Corp.) issued 38,503,483 common shares in exchange for all of 1070900's issued and outstanding common shares on a 1:1 basis. As discussed in Note 4, since the former shareholders of 1070900 effectively assumed control of the Company, the transaction has been treated for accounting purposes as a reverse acquisition.

On February 2, 2017, the Company issued 550,000 common shares pursuant to an asset purchase agreement with Endurance to acquire a 100% interest in certain mining claims and leases adjacent to the Rattlesnake Property in Wyoming.

On February 22, 2017, the Company completed a private placement of 4,350,000 common shares at a price of approximately \$0.87 per share (CDN \$1.15 per share) for gross proceeds of \$3,799,284. In connection with the offering, the Company also paid commissions, legal fees and filing fees of \$439,141.

During the nine months ended March 31, 2017, the Company issued 2,302,500 common shares for gross proceeds of \$580,800 pursuant to the exercise of stock options. Accordingly, the fair value of \$194,415 was transferred from reserve to share capital.

Stock options

The Company has established a stock option plan under which common share purchase options may be granted to directors, officers, employees and consultants. The maximum number of shares available for options issuable under the stock option plan is 10% of the Company's common shares outstanding. Options granted have an exercise price of the Company's prior day closing price quoted on the Exchange for the common shares of the Company.

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
		\$
Outstanding at June 30, 2016	915,000	0.26
Granted	3,487,500	0.54
Exercised	(2,302,500)	0.25
Outstanding at March 31, 2017	2,100,000	0.74

- 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 2016, the Company also granted 125,000 stock options exercisable for a period of five 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%.
- In March 2017, the Company granted 1,800,000 stock options to directors, officers and employees exercisable for a period of five years and valued at \$0.61 per option for a total value of \$1,094,963 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk-free rate of 1.21%, a forfeiture rate of 0% and volatility of

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(Unaudited)

NOTE 11 - Share Capital and Reserves (continued)

100%. Of these options granted, 700,000 options were to non-executive directors and vest immediately while 1,100,000 were issued to officers and employees and vest equally over three years with the initial vest occurring on the first anniversary date of the grant.

A summary of the stock options outstanding and exercisable at March 31, 2017 is as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
\$			
0.25	100,000	100,000	August 1, 2020
0.25	75,000	75,000	January 4, 2021
0.25	125,000	125,000	September 1, 2021
0.82 ⁽¹⁾	1,800,000	700,000	March 17, 2022
	2,100,000	1,000,000	

(1) CDN \$1.09

Year to date, the compensation charge recognized in respect of stock options was \$523,289. Of this, \$519,459 has been expensed in the Consolidated Statements of Comprehensive Loss and \$3,830 was capitalized to Exploration and evaluation assets as it related to employees who worked directly on a mineral property.

Restricted share units

On October 21, 2016, the Board granted the Chief Executive Officer (the “CEO”) 600,000 Restricted Share Units (“RSUs”). The RSUs were granted as notional units that are economically equivalent to owning common shares of the Company. The RSUs vest over a period of three years as follows: 25% on the grant date and 25% on each anniversary date following the grant date. The redemption of the RSUs is deferred until the Company becomes a listed Tier 1 issuer on the TSX-Venture Exchange or on the Toronto Stock Exchange and will be paid in common shares of the Company.

The RSUs were accounted for as equity-settled awards and year to date, the Company has recorded share-based compensation expenses of \$285,952 with a corresponding amount recorded to Reserves. The fair value of the share-based compensation was measured using the value on the grant date.

A summary of RSUs outstanding is as follows:

	Number of Units
Outstanding at September 30, 2016	-
Granted	600,000
Outstanding at March 31, 2017	600,000
Vested at March 31, 2017	150,000

Share-based compensation expense

The Company has recognized the following expense under both of its equity-settled plans:

	Three months ended March 31, 2017	Nine months ended March 31, 2017
	\$	\$
Stock options	438,865	519,459
RSUs	71,379	285,952
Total share-based compensation	510,244	805,411

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NOTE 12 - Related Party Transactions

Summary of key management personnel compensation:

Key management personnel include 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.

	Three months ended March 31, 2017	Nine months ended March 31, 2017
	\$	\$
Consulting fees	-	21,000
Management fees	-	7,739
Exploration and evaluation assets expenditures	36,094	107,333
Salaries and benefits ⁽¹⁾	122,978	238,160
Directors' fees	26,547	43,477
Share-based compensation	510,244	805,411
	695,863	1,223,120

(1) Includes salaries and benefits reported in Investor relations.

Compensation of the Company's key management personnel includes salaries, non-cash benefits and board retainers. Executive officers and members of the board of directors may also participate in the stock option and RSU programs.

As at March 31, 2017, included in accounts payable is \$7,854 owed to the officers of the Company as it relates to accrued vacation pay.

NOTE 13 - 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.

NOTE 14 - 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 \$4,532,453 at March 31, 2017.

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For the nine months ended March 31, 2017

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NOTE 14 - Financial Instruments and Risk Management (continued)

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 due to changes in foreign exchange rates.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1 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 carrying value of cash, restricted cash, receivables, accounts payable and accrued liabilities and advances are approximate to their fair values due to their short-term nature.

NOTE 15 - Commitments

The Company has entered in to three separate commercial lease agreements which have the following expected payments:

	\$
2017	32,820
2018	71,970
2019	51,000
2020	17,000
Total	172,790