

# CREST RESOURCES INC.

## Management Discussion and Analysis

For the three month period ended August 31, 2018

The Management Discussion and Analysis (“MD&A”), prepared October 23, 2018 should be read in conjunction with the audited financial statements and notes thereto for the year ended August 31, 2018 and the notes thereto of Crest Resources Inc. (“Crest”) which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### DESCRIPTION OF BUSINESS

Crest Resources Inc.. (“the Company”) was incorporated on November 23, 2017 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2018, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amount shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

### EXPLORATION PROJECT

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Opening balance	-	-	-
Acquisition and exploration costs	5,000	96,269	101,269
Balance, May 31, 2018 and August 31, 2018	5,000	96,269	101,269

### Red Metal Ridge Property

Pursuant to an option agreement (the “Agreement”) dated January 5, 2018, the Company was granted an option to acquire a 100% undivided interest in two stages in the Red Metal Ridge Property (the “Property”) located near Sayward in British Columbia.

In accordance with the Agreement, the Company has the option to acquire first 51% undivided interest (earned) in the Property by paying \$5,000 (paid) in cash upon execution of the Agreement. The Company has the option to earn the remaining 49% interest in the Property by issuing a total of 600,000 common shares of the Company to the Optionors, making cash payments totaling \$155,000, and incurring a total of \$500,000 in exploration expenditures as follows:

	Number of Common Shares	Cash	Exploration Expenditures
		\$	\$
Upon listing of the Company's common shares on a Canadian Stock Exchange (the "Listing")	100,000	5,000	-
On or before the first anniversary of the Listing	100,000	20,000	100,000
On or before the second anniversary of the Listing	100,000	30,000	100,000
On or before the third anniversary of the Listing	300,000	100,000	300,000
<b>Total</b>	<b>600,000</b>	<b>155,000</b>	<b>500,000</b>

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The Company has the right to purchase the first 1% of the royalty for \$750,000 and the remaining 2% for \$1,000,000 at any time prior to the commencement of commercial production

#### **SELECTED ANNUAL INFORMATION** (\$000's except loss per share)

	May 31, 2018
Revenue	\$ 0
Net Loss	\$ (65)
Basic and Diluted Loss Per Share	\$ (0.01)
Total Assets	\$ 185
Long-Term Debt	\$ 0
Dividends	\$ 0

#### **OPERATIONS**

##### **Three month period ended August 31, 2018**

During the three months ended August 31, 2018 the Company reported a net loss of \$80,650. Included in the determination of operating loss was \$4,685 on rent, \$18,803 on professional fees, \$9,000 on consulting fees, \$8,844 on transfer agent and filing fees, \$65 on bank charges, \$1,017 on advertising and promotion, and \$3,750 on office and miscellaneous. The Company also incurred a stock-based compensation charge of \$34,486.

#### **SUMMARY OF QUARTERLY RESULTS** (\$000's except earnings per share)

	August 31, <u>2018</u>	May 31, <u>2018</u>
Revenue	\$ 0	\$ 0
Net loss	\$ (81)	\$ (65)
Basic and diluted Loss per share	\$ (0.01)	\$ (0.01)

Figures for the periods prior to May 31, 2018 are not available, as the Company was recently incorporated.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at August 31, 2018 were \$42,473 compared to \$68,205 at May 31, 2018.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company has incurred the following key management personnel cost from related parties:

	Period ended August 31, 2018	Period ended May 31, 2017
	\$	\$
Share-based payments	–	30,000
Total	–	30,000

Management fees and share-based payments were incurred from the Chief Executive Officer of the Company and a company owned by the Chief Executive Officer. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer.

## COMMITMENTS

The Company is committed to certain cash payments, share issuances and exploration expenditures in connection with the acquisition of its mineral property claims.

## SUBSEQUENT EVENTS

The Company signed an engagement letter with Haywood Securities Inc. (the "Agent") whereby the Agent has agreed to raise on commercially reasonable efforts up to \$350,000 in an initial public offering ("IPO") by the issuance of up to 3,500,000 common shares of the Company at a price of \$0.10 per common share.

Pursuant to the terms of the engagement letter, the Company has agreed to pay to the Agent a commission of 8% of the gross proceeds of the IPO. The Company has also agreed to grant to the Agent warrants (the "Agent's Warrants") which will entitle the Agent to purchase up to 8% of the common shares sold under the IPO, at a purchase price that is equal to the price per share offered in the IPO. The Agent's Warrants are exercisable until twenty four (24) months from the date the Company's shares are listed on the CSE. In addition, the Company has agreed to pay a corporate finance fee of \$25,000. In addition, the Company will pay the Agent's legal fees incurred pursuant to the IPO, and any other reasonable expenses of the Agent.

Subsequent to August 31, 2018, the Company completed the financing including an overallotment of 359,000 common shares for gross proceeds of \$385,900.

## **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The mandatory adoption of the following new and revised accounting standards and interpretations on March 1, 2015 had no significant impact on the Company's financial statements for the years presented:

### **IAS 1 – Presentation of Financial Statements**

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

### **IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets**

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

## **NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The mandatory adoption of the following new and revised accounting standards and interpretations on March 1, 2015 had no significant impact on the Company's financial statements for the years presented:

### *IAS 1 – Presentation of Financial Statements*

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## CRITICAL ACCOUNTING POLICIES

### Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

### Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

#### *Financial assets at fair value through profit or loss (“FVTPL”)*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company’s cash is classified as FVTPL assets.

#### *Held-to-maturity (“HTM”)*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

#### *Available-for-sale financial assets (“AFS”)*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as AFS.

### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company does not have any assets classified as loans and receivables.

### Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

### *Impairment of financial assets*

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

Objective evidence of impairment could include the following:

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

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

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

## **SHARE CAPITAL**

### Issued

The company has 8,750,001 shares issued and outstanding as at August 31, 2018 and 12,609,001 as at October 23, 2018.

### Share Purchase Options

The Company has 425,000 stock options outstanding at August 31, 2018 and October 23, 2018.

### Warrants

The Company had Nil share purchase warrants outstanding at August 31, 2018 and 308,750 as at October 23, 2018.

### Escrow Shares

The Company has 2,500,000 shares held in escrow as at August 31, 2018 and 2,250,000 as at October 23, 2018.