

# **CREST RESOURCES INC.**

## **Management's Discussion and Analysis of Financial Condition and Results of Operations** For the year ended May 31, 2019

This Management's Discussion and Analysis of Crest Resources Inc. ("Crest" or the "Company") ("MD&A") provides analysis of the Company's financial results for the year ended May 31, 2019 and should be read in conjunction with the accompanying audited financial statements and notes thereto for the year ended May 31, 2019. This MD&A is based on information available as at July 12, 2019.

The accompanying audited financial statements for the year ended May 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs"). All amounts are expressed in Canadian dollars, unless otherwise stated.

### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A may contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, joint venture partner participation, liquidity and effects of accounting policy changes.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates, opinions or other factors should change except as required by law.

These statements are based on a number of assumptions including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.

## DESCRIPTION OF BUSINESS

Crest Resources Inc. 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 Suite 1100 – 595 Howe Street, Vancouver, British Columbia, Canada. The Company's principal business activity is the acquisition and exploration of mineral property assets in Canada.

On October 22, 2018, Crest completed its initial public offering of 3,859,000 common shares in its capital, 359,000 shares of which were sold pursuant to an over-allotment option, at a price of \$0.10 per share for gross proceeds of \$385,900. The net proceeds from the initial public offering will be used for working capital and to carry out exploration of the Company's Red Metal Ridge property, located approximately 74 km northwest of the town of Campbell River on Vancouver Island, in the Nanaimo mining division of British Columbia.

Haywood Securities Inc. acted as agent for the initial public offering. The agent received a cash commission equal to 10 per cent of the proceeds of the initial public offering and a corporate finance fee of \$40,000, of which \$30,000 was paid in cash and \$10,000 was paid in common shares at \$0.10 per share. Additionally, the Company has granted Haywood Securities Inc., Leede Jones Gable Inc. and Mackie Research Capital Corp. agents' warrants entitling the holder to purchase in aggregate 385,900 common shares at a price of 10 cents per share, exercisable on or before October 22, 2020.

The Company's shares began trading on the Canadian Securities Exchange on October 23, 2018, under the symbol CRES.

## MAJOR OPERATING MILESTONES

The Company is in the mineral exploration stage and as such has no revenues. Mineral interests in the form of exploration and acquisition costs totalled \$111,269 as at May 31, 2019 (May 31, 2018 - \$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:

	<b>Number of Common Shares</b>	<b>Cash</b>	<b>Exploration Expenditures</b>
		\$	\$
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.

As of May 31, 2019, the Company has incurred \$111,269 in acquisition and exploration costs on the Red Metal property. During the year ended May 31, 2019, the Company expended \$10,000 (2018 - \$5,000) in acquisition costs and \$nil (2018 - \$96,269) in exploration costs on the Property.

The following information regarding the Property is summarized or extracted from an independent technical report dated September 12, 2018, and dated effective August 21, 2018, entitled "Technical Report: Red Metal Ridge Mineral Property, Vancouver Island, British Columbia, Canada" (the "Technical Report") prepared for the Issuer by Donald George MacIntyre, Ph.D., P. Eng. (the "Author") in accordance with the requirements of National Instrument 43-101—Standards of Disclosure for Mineral Projects ("NI 43-101"). The Author is a "qualified person" within the meaning of NI 43-101.

The Red Metal Ridge Property is located on Vancouver Island, British Columbia, Canada, approximately 74 km northwest of the City of Campbell River and 12 km southwest of the Village of Sayward.

In early 2018, the Company completed a prospecting program on the Property that consisted of geochemical sampling and a Beep Mat geophysical survey along existing logging roads and covering a large part of the property. The Company collected 341 soil samples and 32 rock samples along existing logging roads at roughly 50 metre intervals. The main elements of interest on the property are Cu and Ag. For Cu, soil samples returned values ranging from 8 to 1380 ppm Cu, with a mean value of 121.96 ppm Cu. There is a cluster of anomalous samples near the Puff, Éclair and Cruller showings. Ag values did not define any obvious target areas with random anomalies spread throughout the area of sampling. A number of soil samples in the Rooney Creek area also returned anomalous values for Cu but there is no obvious clustering of anomalies. One sample collected near the Billy 19 and Rooney 1-4 showings did return 351 ppm Cu and a sample from another 600 metres to the south-southeast returned 572 ppm Cu.

A total of 32 rock samples were collected from the property in 2018. Of the 32 samples submitted for assay, 15 returned values greater than 10,000 ppm Cu. Most of these samples were from the Puff and Éclair showings. The best result for Cu was 14.95% for a sample of a massive sulphide in a shear zone collected from the Éclair quarry site. The best result for Ag was 34.7 ppm for a sample from the Puff showing. One sample collected north of the Linzer showing returned 1855 ppm Mo in what is described as a 0.5 metre wide massive chalcopyrite-pyrite vein in basalt. Other samples from this locality were also anomalous in Mo and As compared to samples collected elsewhere on the Property. Cu values at this locality ranged from 1740 to 8290 ppm. Samples collected further north along the logging road also returned good Cu values.

A Beep Mat geophysical survey was conducted between March 20 to 31, 2018. The instrument used was a GDD Instruments BM8 model Beep Mat. This instrument records near surface electromagnetic and magnetic responses emanating from subsurface outcrop, subcrop and float that contain detectable amounts of sulphide minerals and magnetite. The BM8 Beep Mat takes readings at 3 second intervals. The survey done on the Property recorded 32,682 data points. High Rt (Ratio) values indicate a good conductor which may be related to the presence of sulphide minerals in subsurface bedrock or float. Of the 32,682 data points, 618 had positive HFR values, 1870 had positive LFR values and 260 had both positive HFR and LFR values and a corresponding Rt calculation.

Work done on the Red Metal Ridge Property in 2018 has confirmed the presence of a number of high grade Cu+/-Ag showings hosted by Upper Triassic Karmutsen basalt. These showings are best classified as Cu-Ag vein showings (B.C. Mineral Deposit Profile I06) and are most likely related to emplacement of a granodioritic intrusion in mid Jurassic time. Presently this intrusion is exposed northeast of the Adam River but may also underlie the Property at depth as well. Alternatively, the Red Metal Ridge Property showings could be related to hydrothermal activity directly associated with eruption of Karmutsen volcanics but in the author's opinion this is a less likely scenario. Clearly the showings on the property are emplaced along fractures or faults that have subsequently been disrupted by post mineral shearing. The timing of this shearing is currently unknown but could be quite recent.

The showings found to date, although very high grade, are not of sufficient size to support a mining operation. Future work on the property needs to focus on locating an area where the density of veining is sufficient to support a small open pit operation or alternatively to locate a vein that is of sufficient width and continuity to support an underground mining operation. With this in mind the area north of the Linzer showing may hold the best potential given the number of showings located in this area.

Soil sampling along logging roads has detected an area of anomalous concentrations of Cu in soil near the Puff and Eclair showings. The significance of these anomalies is difficult to determine as the samples were only taken along the road and the extent of anomalous soils beyond the road is unknown.

A number of strong conductors were also located by the Beep Mat survey. These should be followed up with hand or excavator trenching as they may be related to concentrations of sulphide minerals in near surface float or bedrock.

In the author's opinion the Red Metal Ridge Property continues to be a property of merit and additional exploration expenditures are warranted. Numerous high grade Cu+/-Ag showings have been detected on the property. New logging roads continue to expose new occurrences of Cu-Ag veins. Following up on the work done in 2018, the author recommends a Phase 1 exploration program focussed on additional soil sampling and coincident magnetometer survey. In particular, the extent of anomalous soils located near the Puff and Eclair showings needs to be determined. It is recommended that a soil sampling grid with line spacing of 100 metres and sample intervals of 25 metres be established to cover the area that would include the Puff, Eclair and Cruller showings. Given the density of underbrush it may be necessary to cut lines in order to facilitate sampling. A magnetometer or Beep Mat survey on the same grid would also be useful. Similarly, the area north of the Linzer showing should also be covered by a soil sampling and magnetometer grid. The objective of these surveys is to try to determine the extent of subsurface mineralization beyond the current known showings, all of which are located in road cuts or quarries along logging roads. Depending on the results of the recommended soil/magnetometer surveys a Phase 2 program would involve additional work in the form of IP or EM ground geophysics. The projected costs for the recommended work program are \$104,000 for Phase 1 and \$267,000 for Phase 2.

For more information on the Red Metal Ridge Property, please see the NI 43-101 technical report on [www.sedar.com](http://www.sedar.com).

## SELECTED ANNUAL INFORMATION

The table below presents selected financial data for the Company's annual financial statements for each of the two most recently completed financial years. The financial data provided is prepared in accordance with IFRS and is presented in Canadian dollars.

	<b>Year ended May 31, 2019</b>	<b>Period ended May 31, 2018</b>
	\$	\$
Revenue	-	-
Comprehensive loss	(193,453)	(65,025)
Loss per share, basic and diluted	(0.02)	(0.01)
Total assets	278,628	185,016
Total long term liabilities	-	-
Cash dividend declared per share	-	-

Various factors contribute to the year to year variations in financial position and financial performance. The \$193,453 comprehensive loss for the year ended May 31, 2019 increased as a result of costs in connection with trading on the Canadian Securities Exchange. The Company's professional fees and transfer agent and filing fees increased as a result of the listing..

## OPERATIONS

### Three-month period ended May 31, 2019

During the three months ended May 31, 2019, the Company reported a net loss of \$60,771 compared to a net loss of \$50,428 for the three months ended May 31, 2018. Included in the determination of operating loss was \$48,707 for professional fees, \$5,000 for consulting fees, \$7,828 for salary, \$147 for office and administration expenses, \$4,451 for share based payments (a non-cash expense) for the granting of stock options and \$5,408 recovery from transfer agent as a result of reclassification.

### Total expenses for the year ended May 31, 2019

Total expenses for the year ended May 31, 2019 were \$193,453 compared to \$65,025 in expenses recorded for the period from November 23, 2017 to May 31, 2018. The increase in expenditures during the year was a result of the Company's first full year of operations as compared to the previous year.

	Year ended May 31, 2019	Period ended from November 23, 2017 to May 31, 2018
	\$	\$
Advertising and promotion	5,469	2,188
Bank charges	190	339
Consulting fees	32,000	18,000
Office	4,240	4,116
Professional fees	87,755	4,429
Rent	8,333	5,953
Salary	7,828	-
Share-based payments	38,937	30,000
Transfer agent and filing fees	8,701	-
	(193,453)	(65,025)

Consulting fees were paid to various strategic business development consultants, geological and project management consultants service fees.

Salary include amounts paid to the Chief Executive Officer and Corporate Secretary.

Professional fees were \$87,755 for the year ended May 31, 2019 and relate to the Company's accounting and legal fees. Accounting fees totaled \$45,458 of which \$11,500 relates to the audit for the initial public offering and \$9,000 relates to the audit accrual for the year ended May 31, 2019. Legal fees totaled \$42,297 relate to the Company's various agreements and general matters.

Share-based payments (a non-cash expense) were \$38,937 (2018 - \$30,000) which includes the estimated fair value of 525,000 stock options granted to directors and officers.

Transfer agent and filing fees were \$8,701 for the year ended May 31, 2019 (2018 - \$nil). The increase was associated with the Company being publicly listed on the Canadian Securities Exchange through an initial public offering during the year.

### Summary of Quarterly Results

	Q4 May 31, 2019 \$	Q3 Feb 28, 2019 \$	Q2 Nov 30, 2019 \$	Q1 Aug 31, 2019 \$
<b>Total revenue</b>	-	-	-	-
<b>Net loss (\$)</b>	60,771	21,512	30,520	80,650
<b>Per Share (\$)</b>	0.00	0.00	0.00	0.00

	Q4 May 31, 2018 \$	Q3 Feb 28, 2018 \$	Incorporation to Nov 30, 2018 \$
<b>Total revenue</b>	-	-	-
<b>Net loss (\$)</b>	50,248	14,777	-
<b>Per Share (\$)</b>	0.00	0.00	0.00

The Company does not have any revenue as it is in the exploration stage.

### **CASH FLOWS**

The Company is still considered to be in the exploration and development stage and as such does not earn any significant revenue. Total cash used in operating activities was \$119,352 during the year ended May 31, 2019 compared to \$37,526 cash used in operating activities for the period from November 23, 2017 to May 31, 2018.

Total cash flows used in investing activities was \$nil during the year ended May 31, 2019. Cash flows used in investing activities for the period from November 23, 2017 to May 31, 2018 comparative period was \$101,269 in expenditures on exploration and evaluation assets.

Total cash flows provided by financing activities was \$213,833 during the year ended May 31, 2019 and consist of \$385,900 in proceeds from private placement, less \$172,067 in share issuance costs. Cash flows provided by financing activities was \$207,000 for the period from November 23, 2017 to May 31, 2018 and consist of \$217,000 in proceeds from private placement.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on the ability of the Company to raise equity financing and attainment of profitable operations. Management has been successful in raising equity financing in the past. However, there is no assurance that it will be able to do so in the future.

Factors that could impact on the Company's liquidity are monitored regularly and include market changes and economic downturns that affect the market price of the Company's trading securities for the purposes of raising financing. The current state of equity markets presents a challenge to raise financing and Management believes that this condition will continue over the next twelve months.

The Company's cash balance at May 31, 2019 was \$162,686 compared to \$68,205 at May 31, 2018. Based on the above financial condition at May 31, 2019, Management believes that the Company has the financial resources to meet its financial obligations as they become payable in the current fiscal year.

On June 20, 2019, the Company announced that it proposes to undertake a private placement to raise gross proceeds of up to \$600,000 (the “Offering”) through the sale of up to 10,000,000 units priced at \$0.06 (the “Units”). Each Unit consists of one common share and one share purchase warrant exercisable into one further common share at a price of \$0.075 for a term of three years.

The proceeds from the Offering will be used for general working capital, mineral exploration and sourcing new opportunities. A finder’s fee commensurate with CSE policies may be paid in connection with the Offering. The Offering is subject to the acceptance of the CSE and board approval.

The Company does not have any commitments for capital expenditures. The Company does not have any capital resources in the form of debt, equity and any other financing agreements.

## 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.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

	<b>Period ended</b>	
	<b>May 31,</b>	Period from November 23,
	<b>2019</b>	2017 to May 31, 2018
	\$	\$
Salaries	7,828	-
Consulting fees	15,000	-
Share-based payments	38,937	-

The Company has entered into an Employment Agreement with Owen King, the Company’s Chief Executive Officer (“CEO”), effective April 1, 2019. As compensation for the services to be provided, the CEO will receive a monthly fee of \$2,500. During the period ended May 31, 2019, the Company paid \$5,000 (2018 - \$nil) in salary to the CEO.

The Company has entered into an Employment Agreement with Sandra Wong, the Company’s Corporate Secretary, effective April 18, 2019. As compensation for the services to be provided, the Corporate Secretary will receive a monthly fee of \$2,000. During the period ended May 31, 2019, the Company paid \$2,828 (2018 - \$nil) in salary to the Corporate Secretary.

The Company has entered into a Consulting Agreement with Sean Ty, the Company’s Chief Financial Officer (“CFO”), effective April 1, 2019. As compensation for the services provided, the CFO will receive a monthly fee of \$2,500. During the period ended May 31, 2019, the Company paid \$5,000 (2018 - \$nil) in fees to the CFO and granted 100,000 stock options (2018 - nil) exercisable at a price of \$0.12 per share until April 4, 2023. The options had a fair value of \$2,987 and will vest over a period of four years as to 25% per year.

During the period ended May 31, 2019, the Company paid \$5,000 (2018 - \$nil) in fees to a director and \$5,000 (2018 - \$nil) in fees to the former CEO, president and director.

On July 13, 2018, the Company granted 425,000 stock options to certain directors and officers of the Company at an exercise price of \$0.10 for a period of five years from the date of grant. These options had a fair value of \$35,950.

## COMMITMENTS

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

## RECENT ACCOUNTING PRONOUNCEMENTS

### New Accounting Pronouncements Adopted During the Year

The following new standards, and amendments to standards and interpretations, are effective for the period ended May 31, 2019, and have been applied in preparing these financial statements:

**IFRS 9 *Financial Instruments*** – In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments (“IFRS 9”) to replace IAS 30 – Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking ‘expected-loss’ impairment model, as well as a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 retrospectively, without restatement of prior year financial statements.

The Company assessed that there was no significant impact to the financial statements on the adoption of classification and measurement of its financial instruments, the classification under the new and old standard is set out below:

Financial Instrument	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

### New Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended May 31, 2019, and have not been applied in preparing the financial statements.

Accounting standards effective for annual periods beginning on or after January 1, 2019

**IFRS 16 *Leases*** – IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

**IFRIC 23 *Uncertainty over Income Tax Treatments*** – IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not



probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

These new standards, amendments and interpretations have not been early adopted in the financial statements and are not expected to have a material effect on the Company's future results and financial position.

## **FOURTH QUARTER**

N/A

## **PROPOSED TRANSACTIONS**

The Company is engaged in the search for potential joint venture partners, mineral property acquisitions and financings, but there are currently no proposed asset or business acquisitions or dispositions. Other than disclosed in this Report, the Company does not have any proposed transactions.

## **SIGNIFICANT CHANGES FROM PREVIOUS DISCLOSURE**

N/A

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

### Equity Securities Issued and Outstanding

The Company had 12,809,901 shares issued and outstanding at July 12, 2019.

### Share Purchase Options

The Company had 450,000 stock options outstanding at July 12, 2019.

### Warrants

The Company had 385,900 share purchase warrants outstanding at July 12, 2019.

### Escrow Shares

The Company has 1,875,000 common shares held in escrow as at July 12, 2019.

## **BOARD OF DIRECTORS AND OFFICERS**

On February 14, 2019, John E. Hiner resigned as a Director of the Company.

On March 15, 2019, Owen King was appointed as a Director of the Company.

On April 5, 2019, Emma Fairhurst was appointed as a Director of the Company.

On April 5, 2019, Mark Lotz resigned as Chief Financial Officer, Corporate Secretary and a Director of the Company. Sean Ty was appointed as Chief Financial Officer and Corporate Secretary.

On April 18, 2019, Michael Collins was appointed as a Director of the Company.

On April 18, 2019, Owen King was appointed as Chairman, President and Chief Executive Officer of the Company, to replace Dušan Berka who stepped down from that role.

On April 18, 2019, Sandra Wong was appointed Corporate Secretary of the Company, to replace Sean Ty who stepped down from that role.

On April 30, 2019, Dušan Berka resigned as a Director of the Company.

The Directors of the Company are Owen King (Chairman, President and Chief Executive Officer), Michael Collins, Emma Fairhurst and Paul John. Sean Ty is the Chief Financial Officer and Sandra Wong is the Corporate Secretary.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements of the Company and all the information in this Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. That Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and two of its members are independent directors. The Audit Committee meets at least once a year with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements and the external auditors' report. The Audit Committee reports its finding to the Board for consideration when approving the financial statements for issuance to the shareholders, the engagement or reappointment of the external auditors.

### **CREST RESOURCES INC.**

Owen King

Chairman, President and Chief Executive Officer