

CRIMSON BIOENERGY LTD.
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
DECEMBER 31, 2017

Head Office and Corporate Records

Suite 202
5752 176th Street
Surrey, BC
V3S 4C8

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Crimson Bioenergy Ltd.

We have audited the accompanying consolidated financial statements of Crimson Bioenergy Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Crimson Bioenergy Ltd. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Crimson Bioenergy Ltd.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

September 18, 2018

CRIMSON BIOENERGY LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS
AS AT

	December 31, 2017	December 31, 2016
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Bank indebtedness	\$ -	\$ 57
Accounts payable and accrued liabilities (Note 3)	358,198	352,348
Loan payable (Note 8)	11,000	11,000
Due to related parties (Note 8)	<u>8,400</u>	<u>-</u>
	<u>377,598</u>	<u>363,405</u>
Shareholders' deficiency		
Share capital (Note 9)	2,096,235	2,096,235
Share-based payment reserve (Note 9)	90,918	90,918
Accumulated deficit	<u>(2,564,751)</u>	<u>(2,550,558)</u>
	<u>(377,598)</u>	<u>(363,405)</u>
	\$ -	\$ -

Nature and continuance of operations (Note 1)

Commitments (Notes 4 and 5)

Subsequent event (Note 14)

Approved on behalf of the Board of Directors on September 18, 2018

(signed) "*William Carr*"

Director

(signed) "*Grant Sutherland*"

Director

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

CRIMSON BIOENERGY LTD.**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
EXPRESSED IN CANADIAN DOLLARS**

	Year Ended December 31, 2017	Year Ended December 31, 2016
REVENUE		
Revenue	\$ -	\$ 18,000
Cost of Sales	-	(18,000)
Gross profit	-	-
GENERAL AND ADMINSTRATIVE EXPENSES		
Automobile expenses	-	815
Insurance	-	1,059
Interest and bank charges	103	1,225
Office and miscellaneous	1,090	9,924
Professional fees	13,000	13,000
Rent	-	1,575
Salaries and benefits, net of forgiveness (Note 8)	-	5,000
	(14,193)	(32,598)
Other income	-	4,029
Accretion of government loan (Note 5)	-	(17,099)
Gain on sale of subsidiary (Note 2)	-	334,569
Gain on forgiveness of debt (Note 8)	-	47,881
Loss on disposal of property (Note 4)	-	(23,731)
Net income (loss) and comprehensive income (loss) for the year	\$ (14,193)	\$ 313,051
Basic and diluted income (loss) per common share	\$ 0.00	\$ 0.02
Weighted average number of common shares outstanding (Basic and diluted)	20,587,583	20,587,583

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

CRIMSON BIOENERGY LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
EXPRESSED IN CANADIAN DOLLARS

	Number of common shares	Share capital	Share-based payments reserve	Deficit	Total shareholders' deficiency
Balance, December 31, 2015	20,587,583	\$ 2,096,235	\$ 90,918	\$ (2,863,609)	\$ (676,456)
Income for the year	-	-	-	313,051	313,051
Balance, December 31, 2016	20,587,583	2,096,235	90,918	(2,550,558)	(363,405)
Loss for the year	-	-	-	(14,193)	(14,193)
Balance, December 31, 2017	20,587,583	\$ 2,096,235	\$ 90,918	\$ (2,564,751)	\$ (377,598)

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

CRIMSON BIOENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS

	Year Ended December 31, 2017	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ (14,193)	\$ 313,051
Items not affecting cash:		
Accretion on government loan	-	17,099
Closing costs of property foreclosure	-	23,731
Cost of sales	-	18,000
Gain on forgiveness of debt	-	(47,881)
Gain on sale of subsidiary	-	(334,569)
Changes in non-cash working capital items:		
Bank indebtedness	(57)	1,202
Accounts payable and accrued liabilities	14,250	13,303
Due to related parties	-	(1,294)
Customer deposits	-	(9,000)
Net cash used in operating activities	<u>-</u>	<u>(6,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from property foreclosure	-	37,207
Decommissioning liability	<u>-</u>	<u>(6,668)</u>
Net cash provided by investing activities	<u>-</u>	<u>30,539</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of due to related party, net	<u>-</u>	<u>(24,181)</u>
Net cash used in financing activities	<u>-</u>	<u>(24,181)</u>
Net change in cash during the year	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest and income taxes	-	-
Non-cash transactions:		
Allocation of long term debt to current	\$ -	\$ 115,431
Allocation of accounts payable to due to related parties	\$ 8,400	\$ -

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

CRIMSON BIOENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN CANADIAN DOLLARS
DECEMBER 31, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Crimson Bioenergy Ltd. (“Crimson”) was incorporated under the Business Corporations Act of British Columbia on September 1, 2009. The Company’s registered address is Suite 202, 5752 176th Street, Surrey, BC, V3S 4C8. Crimson traded on the TSX Venture Exchange (“TSX-V”) under the symbol “CSN”. On May 11, 2015, trading of the Company’s shares on the TSX-V was suspended due to failure to meet the TSX-V’s ongoing listing requirements. Trading remains suspended.

The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein.

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The operations of the Company were primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Additionally the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities and disclosure of contingent assets or liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Principles of consolidation

During the year ended December 31, 2016, the Company sold its wholly-owned subsidiary CSQ Environmental Technologies Ltd. (“CSQ”) for \$10, resulting in a gain of \$334,569. To the date of disposition, these consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary CSQ Environmental Technologies Ltd. (“CSQ”) incorporated under the laws of British Columbia, Canada. Significant inter-company balances and transactions were eliminated upon consolidation.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting year, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is being provided for using the following rates and methods:

Vehicle	30% declining balance
Computers	55% declining balance
Furniture and fixtures	20% declining balance

Impairment

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share-based payments

The Company grants stock options to acquire common shares of the Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized on a graded basis over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

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 the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the dilutive effect of options, warrants and other convertible instruments. Under this method, the dilutive effect on earnings (loss) per share reflects the assumption that the proceeds from the exercise of options, warrants and other convertible instruments are used to purchase and cancel common shares at the average market price during the period. In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

Current and deferred income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered the deferred tax asset is not recorded.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes mortgage payable and government loan, all of which are recognized at amortized cost.

The Company's bank indebtedness, accounts payable and accrued liabilities, loan payable and due to related parties are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective for annual reporting periods beginning on or after January 1, 2018:

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, and SIC 31 *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 *Leases* was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

CRIMSON BIOENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN CANADIAN DOLLARS
DECEMBER 31, 2017

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade and other payables	\$ 279,198	\$ 286,348
Accrued liabilities	<u>79,000</u>	<u>66,000</u>
	<u>\$ 358,198</u>	<u>\$ 352,348</u>

4. MORTGAGE

The Company obtained a mortgage from Farm Credit Canada on April 15, 2011. The mortgage principal is \$213,750, bearing interest at 4.75% per annum. The Company will make a monthly payment of approximately \$850, which represents the interest portion of the loan, with the first payment starting on May 1, 2011 and the last one on May 1, 2016. The principal was repayable in 2026.

During the year ended December 31, 2016, Farm Credit Canada foreclosed on land held by CSQ in Prince George, BC. The proceeds of the sale were used to repay the mortgage and other legal costs incurred by Farm Credit Canada resulting in a loss on disposal of assets of \$23,731.

5. LOANS PAYABLE

i) GOVERNMENT LOAN

On November 25, 2009, the Company entered into a project agreement with the Minister of Western Economic Diversification (the "Minister"), whereby the Company will receive funding from the Minister to assist in the establishment of a 10 hectare "hybrid poplar" stool expansion bed in Princeton, British Columbia, along with the construction of a complementary nursery located in Abbotsford, British Columbia. The project involves growing and harvesting high-yield trees which re-grow from the "stool" after harvesting. In accordance with the agreement, the Minister had agreed to finance up to \$585,750 or 75% of the total estimated project costs of \$781,000.

Prior to selling CSQ, the Company had received a total of \$394,179 from the Minister in financing.

As per the original agreement, all amounts received from the Minister are repayable by the Company in monthly repayments commencing October 1, 2011. The repayment schedule was subsequently amended and the Company agreed to repay the remaining principal balance by way of monthly installments of principal of \$4,000 commencing November 30, 2013. All principal and interest owing is to be repaid on or by May 1, 2019. Total repayments on an annual basis are \$48,000 per year until 2019, which is \$20,000.

The cost of the government loan received during the year ended April 30, 2011 of \$276,429 has been recognized at market rates in the statement of loss and comprehensive loss as accretion of government loan of \$nil during the year ended December 31, 2017 (2016 - \$17,099). The loan was called on February 18, 2016 and the loan was accreted to face value.

During the year ended December 31, 2016, the Company sold its subsidiary CSQ, which held the government loan.

CRIMSON BIOENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. LOANS PAYABLE (cont'd...)

	Total
Continuity of government loan	
Balance, December 31, 2015	\$ 234,332
Accretion expense	17,099
Sale of CSQ	<u>(251,431)</u>
Balance, December 31, 2016 and 2017	\$ -

6. DECOMMISSIONING LIABILITY

The Company previously leased two pieces of farm land in Princeton and Abbotsford. According to the lease agreement, at the termination of the agreement, the Company has the obligation to restore the land to its original condition, with removal of stool beds and soil ready for reseeding. The lease of lands started during the year ended April 30, 2010 and will expire on June 30, 2014, with an option to renew for an additional two years. The leases were extended to through the end of fiscal 2014.

During fiscal 2016, the Company sold CSQ which held the leases. Accordingly, the decommissioning liability was derecognized on sale of the subsidiary.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the reclamation of the leased lands:

	Total
Balance, December 31, 2015	\$ 43,980
Reclamation work completed	(6,668)
Sale of subsidiary	<u>(37,312)</u>
Balance, December 31, 2016 and 2017	\$ -

CRIMSON BIOENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. CAPITAL ASSETS AND BIOLOGICAL ASSETS

	Land	Vehicles	Furniture and fixtures	Seedling nursery	Total
Cost					
Balance at December 31, 2015	\$ 289,588	\$ 26,188	\$ 19,582	\$ 372,843	\$ 708,201
Disposals	(289,588)	(26,188)	-	(372,843)	(688,619)
Balance at December 31, 2016 and 2017	\$ -	\$ -	\$ 19,582	\$ -	\$ 19,582
Accumulated Amortization					
Balance at December 31, 2015	\$ -	\$ 26,188	\$ 19,582	\$ 354,843	\$ 400,613
Disposals	-	(26,188)	-	(354,843)	(381,031)
Balance at December 31, 2016 and 2017	\$ -	\$ -	\$ 19,582	\$ -	\$ 19,582
Carrying amounts					
At December 31, 2016 and 2017	\$ -	\$ -	\$ -	\$ -	\$ -

During the year ended December 31, 2016, the Company disposed of its stool beds resulting in a \$Nil balance at December 31, 2016.

The stool beds were used to grow the Company's whips which were classified as agricultural produce in accordance with IAS 41.

8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company defines key management as directors and officers of the Company. The following is a summary of related party transactions and balances not disclosed elsewhere in the consolidated financial statements.

During the year ended December 31, 2017, the Company:

- i) incurred management fees, recorded as salaries, of \$Nil (2016 - \$5,000) to a director of the Company.

Amounts due to related parties at December 31, 2017 and December 31, 2016 are to a director of the Company. As at December 31, 2017, \$8,400 (December 31, 2016 - \$Nil) was due to related parties. The amounts owing to related parties were forgiven during the year ended December 31, 2016 resulting in a gain of \$47,881. The amounts were non-interest bearing, unsecured and had no fixed terms of repayment.

The Company has a loan payable to a related party in the amount of \$11,000 (2016 - \$11,000). The loan does not have fixed terms of repayment and does not bear interest.

9. SHARE CAPITAL

Authorized – Unlimited common shares, without par value

Shares issued

During the years ended December 31, 2017 and 2016, there were no share capital transactions.

CRIMSON BIOENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. SHARE CAPITAL (cont'd...)

Stock options

The Company has a stock option plan (the "Plan") which allows the Company to grant options to directors, officers, employees and consultants, with vesting set at the discretion of the directors. The essential elements of the Plan provide that the aggregate number of common shares of the Company issuable pursuant to options granted under the Plan may not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis. Options granted under the Plan may have a maximum term of ten years.

Stock option transactions are summarized as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number of Options (outstanding and exercisable)	Weighted Average Exercise Price	Number of Options (outstanding and exercisable)	Weighted Average Exercise Price
Balance, beginning of year	333,333	\$ 0.45	333,333	\$ 0.45
Expired & forfeited	<u>(333,333)</u>	<u>0.45</u>	<u>-</u>	<u>-</u>
Balance, end of year	-	\$ -	333,333	\$ 0.45

10. FINANCIAL INSTRUMENTS

As at December 31, 2017, the Company's financial instruments consist of accounts payable and accrued liabilities, loan payable, and due to related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the above recognized financial instruments approximate their carrying values due to their short-term maturity.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017 the Company had current liabilities of \$377,598. There is a risk that the Company may not be able to fulfill its obligation when a liability is due.

10. FINANCIAL INSTRUMENTS (cont'd...)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

As of December 31, 2017, the Company only had fixed interest expenses, therefore is not exposed to interest rate risk.

(b) Foreign currency risk

The Company does not have any assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

11. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the identification of assets or businesses to acquire or invest.

12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. share capital and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through equity financings. The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2017.

CRIMSON BIOENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
EXPRESSED IN CANADIAN DOLLARS
DECEMBER 31, 2017

13. INCOME TAX

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

	2017	2016
Income (loss for the year)	\$ (14,193)	\$ 313,051
Expected income tax (recovery)	(4,000)	81,000
Change in statutory rates, and other	(13,000)	-
Sale of CSQ	-	450,000
Change in unrecognized deductible temporary differences	17,000	(531,000)
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of financial positions are as follows:

	2017	2016
Share issue costs	\$ 1,000	\$ 1,000
Non-capital losses	338,000	321,000
Unrecognized deferred tax assets	\$ 339,000	\$ 322,000

The Company has non-capital losses of approximately \$1,251,000 (2016 - \$1,235,000) available for deduction against future taxable income. These losses, if not utilized, will expire through to 2037. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

14. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2017, a related party and third parties paid costs on behalf of Crimson and advanced funds in the sum of \$311,000. The advances of \$311,000 are non-interest bearing and have no fixed terms of repayment.