

Yukoterre Resources Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended July 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

Yukoterre Resources Inc.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 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 the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim 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 condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Yukoterre Resources Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at:	July 31, 2019	October 31, 2018
ASSETS		
Current		
Cash	\$ 1,115	\$ 1,060
Amounts receivable (Note 4)	1,586	1,250
Prepaid expenses (Note 5)	22,500	-
Total current assets	25,201	2,310
Non-current		
Exploration and evaluation asset (Note 6)	337,247	329,679
Total assets	\$ 362,448	\$ 331,989
LIABILITIES		
Current		
Trade payables and accrued liabilities (Note 7)	\$ 30,407	\$ 23,166
Loans payable (Note 8)	24,300	165,790
Total current liabilities	54,707	188,956
EQUITY		
Share capital (Note 9(b))	456,054	246,000
Deficit	(148,313)	(102,967)
Shareholders equity	307,741	143,033
Total liabilities and equity	\$ 362,448	\$ 331,989

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 11)

Subsequent event (Note 12)

APPROVED ON BEHALF OF THE BOARD

Signed "Rene Bharti", DIRECTOR

Signed "Fred Leigh", DIRECTOR

See accompanying notes to the condensed interim financial statements

Yukoterre Resources Inc.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended July 31, 2019	Three months ended July 31, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Expenses				
Consulting and management fees	\$ 600	\$ 10,350	\$ 14,800	\$ 31,144
Professional fees	2,355	4,355	8,790	6,855
General office expenses	4,992	141	16,492	1,827
Loss before interest expense	7,947	14,846	40,082	39,826
Interest expense	-	1,606	5,264	3,880
Loss and comprehensive loss for the period	\$ 7,947	\$ 16,452	\$ 45,346	\$ 43,706
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding - basic and diluted	7,020,541	4,920,000	6,104,921	4,920,000

See accompanying notes to the condensed interim financial statements

Yukoterre Resources Inc.

Condensed Interim Statements of Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares		Accumulated	Equity
	#	\$	Deficit	\$
Balance, October 31, 2018	4,920,000	246,000	(102,967)	143,033
Shares for debt (Note 9(b))	2,100,541	210,054	-	210,054
Loss and comprehensive loss for the period	-	-	(45,346)	(45,346)
Balance, July 31, 2019	7,020,541	456,054	(148,313)	307,741
Balance, October 31, 2017	4,920,000	246,000	(41,483)	204,517
Loss and comprehensive loss for the period	-	-	(43,706)	(43,706)
Balance, July 31, 2018	4,920,000	246,000	(85,189)	160,811

See accompanying notes to the condensed interim financial statements

Yukoterre Resources Inc.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

For the nine months ended	July 31, 2019	July 31, 2018
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	\$ (45,346)	\$ (43,706)
Items not involving cash:		
Accrued interest on loans payable (Note 8)	5,264	3,880
	(40,082)	(39,826)
Net change in non-cash working capital	(15,595)	66,748
Net cash flows (used in) operating activities	(55,677)	26,922
FINANCING ACTIVITIES		
Loan proceeds (Note 8)	63,300	82,000
Net cash flows provided by financing activities	63,300	82,000
INVESTING ACTIVITIES		
Exploration and evaluation asset (Note 6)	(7,568)	(116,953)
Net cash flow (used in) investing activities	(7,568)	(116,953)
CHANGE IN CASH DURING THE PERIOD	55	(8,031)
CASH, beginning of the period	1,060	8,845
CASH, end of the period	\$ 1,115	\$ 814

See accompanying notes to the condensed interim financial statements

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Yukoterre Resources Inc. (formerly 2560344 Ontario Inc.) (the "Company") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation, dated February 8, 2017, and on October 25, 2017 was renamed Yukoterre Resources Inc. The principal activity of the Company is the exploration and evaluation of coal. The Company's head office is located at 65 Queen Street West, 8th floor, Toronto, Ontario, M5H 2M5, Canada.

Going concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The business of exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable coal operations. The Company's continued existence is dependent upon the acquisition of properties, preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The Company does not have any operating assets that generate revenues, does not have proven reserves and incurred a net loss of \$45,346 during the nine months ended July 31, 2019 (July 31, 2018 - \$43,706). As at July 31, 2019, the Company had a working capital deficit of \$29,506 (October 31, 2018 - \$186,646) and an accumulated deficit of \$148,313 (October 31, 2018 - \$102,967). These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The Company's ability as a going concern is dependent on the Company's ability to obtain additional financing if, as and when required, and, ultimately, the attainment of profitable operations or the profitable sale of the Company's exploration interests.

These condensed interim financial statements do not give effect to adjustments that would be necessary and could be material to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

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

Statement of compliance

The accompanying condensed interim financial statements have been prepared by management in conformity with IAS 34, Interim Financial Reporting and do not include all the disclosures required in full annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended October 31, 2018.

Basis of presentation

The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim financial statements are presented in Canadian dollars unless otherwise noted. These condensed interim financial statements were approved and authorized by the Board of Directors of the Company on September 26, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The unaudited condensed interim financial statements were prepared using the same accounting policies and methods as those used in the Company's financial statements for the year ended October 31, 2018.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards

During 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These new standards and changes did not have any material impact on the Company's financial statements.

4. AMOUNTS RECEIVABLE

The amounts receivable balance as at July 31, 2019 and October 31, 2018, consist of amounts receivable from the Government of Canada for Harmonized Sales Taxes (HST).

	July 31, 2019	October 31, 2018
Government of Canada HST	\$ 1,586	\$ 1,250
Total	\$ 1,586	\$ 1,250

5. PREPAID EXPENSES

In order to start the underwriting process for a proposed initial public offering ("IPO"), the Company prepaid \$22,500 to the underwriter of the IPO.

6. EXPLORATION AND EVALUATION ASSET

As at:	July 31, 2019	October 31, 2018
Description		
Division Mountain coal acquisition	\$ 100,000	\$ 100,000
Consulting and technical	70,380	68,325
Preliminary economic assessment	5,610	5,610
Permits	42,305	42,305
Travel	30,438	25,475
Reports	11,550	11,000
Drilling and assay	76,964	76,964
Total exploration and evaluation asset	\$ 337,247	\$ 329,679

Balance as at October 31, 2017	\$ 204,675
Capitalized expenditures during the year	125,004
Balance as at October 31, 2018	\$ 329,679
Capitalized expenditures during the period	7,568
Balance as at July 31, 2019	\$ 337,247

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	July 31, 2019	October 31, 2018
Trade payables	\$ 22,407	\$ 8,166
Accrued liabilities	8,000	15,000
Total trade payable and accrued liabilities	\$ 30,407	\$ 23,166

Trade payables and accrued liabilities are generally unsecured and non-interest bearing and are expected to be settled on 30 to 60-day terms.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

8. LOANS PAYABLE

The Company entered into various loan agreements with 2227929 Ontario Inc. between December 2017 and January 2019. Pursuant to the terms of the loans, 2227929 Ontario Inc. agreed to lend the Company \$196,000 at an interest rate of 12%. On February 27, 2019, the Company issued 2,100,541 common shares at \$0.10 per share to settle the loans and interest totaling \$210,054 to 2227929 Ontario Inc. (See Note 9(b)). 2227929 Ontario Inc. loaned a further \$14,300 in unsecured loans to the Company from March 8, 2019 to July 31, 2019. These loans were unsecured and had no interest accruing and were subsequently paid on September 24, 2019 with the proceeds from the IPO.

On December 13, 2018, the Company entered into a loan agreement with Sulliden Mining Capital Inc. for \$10,000. The loan was interest free with no specific maturity date. This loan was subsequently paid on September 24, 2019 with the proceeds from the IPO.

9. CAPITAL STOCK

a. Authorized

Unlimited number of common shares, without par value

b. Common shares issued

	Number of shares	Stated value \$
Balance as of October 31, 2017 and October 31, 2018	4,920,000	\$ 246,000
Shares for debt settlement	2,100,541	210,054
Balance as of July 31, 2019	7,020,541	\$ 456,054

On February 27, 2019, the Company issued 2,100,541 common shares at \$0.10 per share to settle the loans with 2227929 Ontario Inc. in the amount of \$210,054.

10. RELATED PARTY DISCLOSURES

Key management personnel compensation

For the three and nine months ended July 31, 2019 and 2018, no compensation has been issued to the executive officers of the Company.

The Company entered into loan agreements with 2227929 Ontario Inc., and Sulliden Mining Capital Inc. 2227929 Ontario Inc. is a company wholly owned by Fred Leigh, who has been a director of the Company since January 14, 2019. Deborah Battiston is a director and officer of Sulliden Mining Capital Inc. On July 31, 2019, there were loans to the Company in the amount of \$14,300 from 2227929 Ontario Inc. and \$10,000 from Sulliden Mining Capital Inc. These loans were subsequently paid on September 24, 2019 with the proceeds from the IPO. (See Note 8).

11. COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts. Currently, these contracts require payments of \$Nil as at July 31, 2019 (October 31, 2018 - \$Nil) to be made upon the occurrence of a change in control to the officers of the Company. The Company is also committed to payments upon termination of approximately \$9,600 (October 31, 2018 - \$9,600) pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these condensed interim financial statements.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

11. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

Coal operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Company's operations may require licenses and permits from various governmental authorities in the countries in which it operates. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development of its projects.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

12. SUBSEQUENT EVENT

On September 24, 2019, the Company completed its IPO of 3,500,000 common shares in its capital (each a "Share"), at a price of \$0.10 per Share for gross proceeds of \$350,000. The net proceeds from the IPO will be used for working capital and to carry out the Phase 1 exploration program at the Division Mountain coal deposit. (See Note 8).

PI Financial Corp. acted as agent (the "Agent") for the IPO. The Agent received a cash commission and a corporate finance fee in consideration for its services. Additionally, the Company has granted the Agent compensation options entitling the holder to purchase in aggregate 245,000 Shares at a price of \$0.10 per Share, exercisable on or before September 24, 2021.

The Shares were approved for listing on the Canadian Securities Exchange on September 20, 2019 and will begin trading on September 25, 2019 under the symbol YT.