Yukoterre Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 31, 2019

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") relates to the financial position and results of Yukoterre Resources Inc. (the "Company") for the year ended October 31, 2019. This MD&A should be read in conjunction with the audited financial statements for the year ended October 31, 2019 and 2018. Unless otherwise noted, all references to currency in this MD&A are in Canadian dollars.

All financial statement information discussed in this MD&A have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, 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 come due.

The Company's certifying officers are responsible for ensuring the financial statements do not contain any untrue statement of material fact or omit a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the financial statements fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as of the date hereof. The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board of Directors' review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

This MD&A is as of February 20, 2020. The reader should be aware that historical results are not necessarily indicative of future performance.

OVERVIEW

The Company is an independent Canadian coal exploration company focused on pursuing the exploration, evaluation and development of resource assets. Yukoterre Resources Inc., formerly 2560344 Ontario Inc., 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. Common shares of the Company were approved for listing on the Canadian Securities Exchange on September 20, 2019 and trade under the symbol YT. The Company's head office is located at 65 Queen Street West, 8th floor, Toronto, Ontario, M5H 2M5, Canada.

DIVISION MOUNTAIN

On August 8, 2017, the Company entered into a purchase agreement with PitchBlack Resources Ltd. in respect of the purchase of the Division Mountain Property in the Yukon Territory. The Division Mountain Property is located 90 km northwest of Whitehorse in Yukon Territory. The purchase included a total of 15 coal licenses (CYW0143 to CYW0157) and five coal leases. In late 2018, the Corporation renewed four of the coal licenses (CYW0154 to CYW0157) which covers the Division Mountain Property. The remaining coal license, which covered areas outside of the Division Mountain Property, was allowed to lapse.

On August 21, 2017, the Company, closed the purchase of the Division Mountain Property in consideration for cash payment of $100,000 to PitchBlack Resources Ltd. (a NEX-listed company at the time). The Corporation assumed all property maintenance payments and obligations and indemnified PitchBlack Resources Ltd. against any environmental or reclamation obligations and liabilities. The Corporation is not a related party to PitchBlack Resources Ltd., its officers, directors or other insiders. The sale transaction was an arm's length transaction for the purposes of the policies of the NEX Board of the TSX Venture Exchange. This transaction was approved by the NEX Board of the TSX Venture Exchange.

Since acquiring the Division Mountain Property, the Company has been focused on (a) reviewing historical drill reports and technical reports in respect of the Division Mountain Property to identify areas warranting further exploration and development and (b) conducting a drilling program in the northeast corner of Pit 4 of the Division Mountain Property to test the possible extension of coal seams in the area and to verify pit wall boundaries. In 2018, the Company conducted a total of four (4) rotary air blast ("RAB") drill holes for a total of 409 feet (the "2018 Drill Program") at a cost of $109,838. Management reviewed the results of the 2018 Drill Program, along with historical drill reports and technical reports in respect of the Division Mountain Property and has developed a Phase 1 exploration plan for the Division Mountain Property (the "Phase 1 Exploration Program"). This program was completed on October 3, 2019.

ANNUAL HIGLIGHTS

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

On September 24, 2019, the Company completed its IPO and issued 3,500,000 common shares at a price of $0.10 per common share for gross proceeds of $350,000. The net proceeds from the IPO is used for working capital and to carry out the Phase 1 exploration program at the Division Mountain coal deposit.

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 of $78,413. Additionally, the Company granted the Agent compensation options entitling the holder to purchase in aggregate 245,000 common shares at a price of $0.10 per common share, exercisable on or before September 24, 2021.

The common shares of the Company were approved for listing on the Canadian Securities Exchange on September 20, 2019 and began trading on September 25, 2019 under the symbol YT.

On September 25, 2019, the Company granted 1,050,000 options to directors, officers and consultants of the Company with exercise price of $0.10 per common share.

OUTLOOK

The Company's ongoing focus is to enhance shareholder value by identifying undervalued and producing assets with exploration upside potential and near term cash flow. Pursuant to the 2018 Drill Program and after the review of historical drill reports and technical reports, management has developed the Phase 1 Exploration Program, as recommended in the Technical Report, for the Division Mountain Property. Management used the proceeds from the IPO to implement the Phase 1 Exploration Program.

SELECTED YEARLY INFORMATION

Year ended	October 31, 2019	October 31, 2018	For the period from incorporation (February 8, 2017) to October 31, 2017
Funds (used in) operating activities	$ (142,480)	$ (39,781)	$ (32,480)
Loss and comprehensive loss for the year	214,845	61,484	41,483
Loss per share	0.03	0.01	0.02
Total assets	$ 534,941	$ 331,989	$ 219,679
Shares outstanding at year end	10,520,541	4,920,000	2,302,189

For the year ended October 31, 2019, the Company reported a loss of $214,845 or $0.03 per share. For the year ended October 31, 2018, the Company reported a loss of $61,484 or $0.01 per share. The Company had a working capital surplus of $25,614 for the year ended October 31, 2019 compared to a working capital deficit of 186,646 for the year ended October 31, 2018.

The Company has and expects to continue to report negative earnings until the Company's exploration program finds and develops producing assets. The Company will continue to utilize proceeds from financing and equity issuances to fund its exploration program and general and administrative operating costs.

As at October 31, 2019, the Company had no operating assets and expects to generate negative cash flow from operations for the foreseeable future.

SELECTED QUARTERLY INFORMATION

Three months ended	**October 31, 2019**	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Funds (used in) operating activities	**$ (86,803)**	$ 1,319	$ (17,850)	$ (39,146)	$ (66,703)	$ 50,570	$ (10,903)	$ (12,745)
Loss and comprehensive loss for the period	**$ 169,499**	$ 7,947	$ 20,496	$ 16,903	$ 17,778	$ 16,452	$ 16,768	$ 10,486
Loss per share	**$ 0.02**	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Total assets	**$ 534,941**	$ 362,448	$ 356,681	$ 365,178	$ 331,989	$ 334,397	$ 252,712	$ 261,852
Shares outstanding at end of period	**10,520,541**	7,020,541	7,020,541	4,920,000	4,920,000	4,920,000	4,920,000	4,920,000

REVIEW OF FINANCIAL RESULTS

Selected Financial Information

Three months ended	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Loss and comprehensive loss for the period	$ 169,499	$ 7,947	$ 20,496	$ 16,903	$ 17,778	$ 16,452	$ 16,768	$ 10,486
Loss per share	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General and administrative:								
Consulting and management fees	10,769	600	6,600	7,600	9,600	10,350	10,444	10,350
Professional fees	70,291	2,355	2,500	3,935	3,000	4,355	4,000	(1,500)
General office expenses	10,194	4,992	11,396	104	269	142	803	883
Stock based compensation	78,245	-	-	-	-	-	-	-
	$ 169,499	$ 7,947	$ 20,496	$ 11,639	$ 12,869	$ 14,847	$ 15,247	$ 9,733

Expenses

For the period:	**Three months ended October 31, 2019**	Three months ended October 31, 2018	**Year ended October 31, 2019**	Year ended October 31, 2018
Expenses				
Consulting and management fees	**$ 10,769**	$ 9,600	**$ 25,569**	$ 40,744
Professional fees	**70,291**	3,000	**79,081**	9,855
General office expenses	**10,194**	269	**26,686**	2,097
Stock-based compensation	**78,245**	-	**78,245**	-
Total	**$ 169,499**	$ 12,869	**$ 209,581**	$ 52,696

The Company recorded consulting and management fees of $10,769 and $25,569 for the three months and year ended October 31, 2019 and $9,600 and $40,744 for the three months and year ended October 31, 2018.

The Company recorded $70,291 and $79,081 in professional fees for the three months and year ended October 31, 2019. $54,365 in legal fees and $12,252 in accounting fees were incurred for the IPO. For the three months and year ended October 31, 2018, the Company recorded $3,000 and $9,855 in professional fees for year end audit.

General office expenses of $10,194 and $26,686 for the three months and year ended October 31, 2019 relate to office costs, filing fees and shareholder communications. $21,478 was spent on filing fees for the IPO. The Company recorded general office expenses of $269 and $2,097 for the three months and year ended October 31, 2018. The Company strives to minimize general and administrative type expenses.

The Company recorded stock-based compensation of $78,245 for the three months and year ended October 31, 2019. On September 25, 2019, the Company granted 1,050,000 options to directors, officers and consultants of the Company with exercise price of $0.10 per common share. The fair market value of the options was estimated using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.34%, expected volatility of 100%, an estimated life of 5 years and an expected dividend yield of 0%.

CASH FLOWS

Year end	**October 31, 2019**	**October 31, 2018**	**For the period from incorporation (February 8, 2017) to October 31, 2017**
Cash flows (used in) operating activities	$ (142,480)	$ (39,781)	$ (32,480)
Cash flows (used in) financing activities	272,834	157,000	246,000
Cash flows (used in) investing activities	(46,022)	(125,004)	(204,675)
Net change in cash	$ 84,332	$ (7,785)	$ 8,845

Three months ended	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Cash provided by (used in) operating activities	**$ (86,803)**	$ 1,319	$ (17,850)	$ (39,146)	$ (66,703)	$ 50,570	$ (10,903)	$ (12,745)
Cash provided by (used in) financing activities	**209,534**	4,800	9,500	49,000	75,000	30,000	-	52,000
Cash (used in) provided by investing activities	**(38,454)**	(6,551)	-	(1,017)	(8,051)	(89,847)	(2,475)	(24,631)
Net change in cash	**$ 84,277**	$ (432)	$ (8,350)	$ 8,837	$ 246	$ (9,277)	$ (13,378)	$ 14,624

Cash used in operating activities for the three months ended October 31, 2019 of $86,803 resulted from the payment of accounts payables which were on hold until the IPO was completed. Cash used in operating activities for the year ended October 31, 2019 was $142,480. Uses during the current period were primarily related to consulting and professional fees. Cash was also utilized for the underwriting, payment of commission and financing costs for the IPO. Cash used for operating activities for the three months and year ended October 31, 2018 was $66,703 and $39,781 respectively. Uses in the previous period related mainly to consulting and professional fees.

For the three months and year ended October 31, 2019, the Company raised $350,000 from its IPO on September 24, 2019. There were $116,166 of cash share issue costs related to the financing. With the proceeds from the IPO, the Company made loan repayments to 227929 Ontario Inc. in the amount of $14,300 and $10,000 for Sulliden Mining Inc. For the three months and year ended October 31, 2018, 2227929 Ontario Inc. loaned $75,000 and $157,000 to the Company.

Investing activities for developing the Division Mountain asset used $38,454 and $46,022 for the three months and year ended October 31, 2019 compared to $8,051 and $125,004 for the three months and year ended October 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

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 common share to settle the loans and interest totaling $210,054 to 2227929 Ontario Inc. 2227929 Ontario Inc. loaned a further $14,300 in unsecured loans to the Company from March 8, 2019 to May 10, 2019. These loans were unsecured and had no interest accruing and were 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 paid on September 24, 2019 with the proceeds from the IPO.

As at October 31, 2019, the Company had working capital surplus of $25,614 and $85,392 in cash compared to a working capital deficit of $186,646 and cash of $1,060 for the year ended October 31, 2018. The Company's primary cash flow needs are for development of its mining and exploration activities, administrative expenses and working capital.

At present, the Company has no producing properties and consequently no revenue generating assets or operations. The recovery of the amounts expended for resource properties are dependent on the ability of the Company to obtain necessary financing to complete the development of the Division Mountain coal project or other potential projects and attain future profitable production. The Company's financial success will depend on its ability to raise financing to construct potential projects. At present, the Company has no established sources of income and the success of its exploration and development programs will be contingent upon the Company's ability to raise sufficient equity financing on terms favourable to the Company. The Company does not expect to generate any internal cash flows to help finance the development costs.

Going concern

Yukoterre Resources Inc. is an exploration stage enterprise. To date, the Company has not found proven reserves. The business of exploration for coal involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The Company's continued existence is dependent upon the acquisition of coal 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. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Consequently, the Company's ability to continue 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.

COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts. Currently, these contracts require payments of $190,800 as at October 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 $141,300 (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 the financial statements.

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.

SHARE CAPITAL AND OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this report, there are 10,520,541 common shares and 1,295,000 options outstanding.

Pursuant to an escrow agreement (the "Escrow Agreement") made as of June 26, 2019, among the Company, the Escrow Agent and certain Principals of the Company, the Principals agreed to deposit in escrow their 2,560,541 common shares (the "Escrowed Securities") with the Escrow Agent. The Escrow Agreement provides that 10% of the Escrowed Securities will be released from escrow upon the Listing Date and that, where there are no changes to the Common Shares initially deposited and no additional Escrow Securities, the remaining Escrowed Securities will be released in equal tranches of 15% every 6 month interval thereafter, over a period of 36 months.

There are no off-balance sheet financing arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel compensation

In addition to their contracted fees, directors and officers also participate in the Company's share option program. Certain executive officers are subject to termination notices of 24 months and change of control contingent provisions. Key management personnel compensation comprised:

	Year ended October 31, 2019	Year ended October 31, 2018
Directors and officers' compensation	**$ 5,300**	$ -
Share-based payments	**51,418**	-
	$ 56,718	$ -

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 September 23, 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 paid on September 24, 2019 with the proceeds from the IPO. There was debt settlement of loan for common shares with 2227929 Ontario Inc in the amount of $210,054 of which $196,000 was principal and $14,054 was interest.

CHANGES IN ACCOUNTING POLICIES

The Company will monitor the development of the relevant IFRS and change its accounting policies accordingly.

New accounting standards

During the year ended October 31, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2 and IFRIC 22. These new standards and changes did not have any material impact on the Company's financial statements.

Effective November 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at November 1, 2018. There were no effects on opening balances at November 1, 2018 with respect to the adoption of this policy.

IFRS 9, Financial Instruments

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Trades payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended October 31, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results could differ from those estimates and these estimates could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets and goodwill. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's assets, costs to sell the assets and the appropriate discount rate.

Reductions in coal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, risk-free interest rates, volatility and dividend yield and making assumptions about them.

Contingencies and provisions

Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us or un-asserted claims, that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

Yukoterre Resources Inc. financial instruments as at October 31, 2019, consist of cash, amounts receivable and trade payables and accrued liabilities and the amounts reflected in the statement of financial position approximate fair value due to the short-term maturity of these instruments.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are unadjusted in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly; and
Level 3 - inputs for the instruments are not based on any observable market data.

The Company had no financial instruments recorded at fair value in the statements of financial position at October 31, 2019.

Fair value estimates are made at the relevant transaction date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Risk management overview

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this MD&A and the financial statements for the year ended October 31, 2019.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables.

The carrying amount of amounts receivable represents the maximum credit exposure. As at October 31, 2019, the Company's total receivable was $24,842 (October 31, 2018 – 1,250) from the Government of Canada for Harmonized Sales Taxes (HST). There were no derivative instruments held at October 31, 2019 and October 31, 2018.

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

(i) Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for coal are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. Lower commodity prices can also reduce the Company's ability to raise capital. As the Company is not generating revenues, commodity price risk does not directly impact the Company's financial results.

(ii) Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

As at October 31, 2019, the Company had the following asset denominated in foreign currency:

October 31, 2019	**USD$**
Cash at bank	20
	20

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of trade payables and accrued liabilities and loans payable. As at October 31, 2019 and 2018, the Company had a cash balance of $85,392 (2018 - $1,060) to settle current liabilities of $84,620 (2018 - $188,956). Most of the Company's financial liabilities have maturities of less than 30 days and are subject to normal trade terms. As at October 31, 2019 and 2018, the Company had trade payables and accrued liabilities of $84,620 and $23,166.

The Company prepares annual capital expenditure budgets, which are monitored and updated as considered necessary. Financial modeling is used to provide economic outlooks and the Company utilizes authorizations for expenditures on projects to monitor capital expenditures.

Trade payables and accrued liabilities consists of invoices payable to trade suppliers for administration expenditures. The Company processes invoices within a normal payment period. Trade payables have contractual maturities of less than one year.

Sensitivity analysis

The Company has, for accounting purposes, designated its cash and amounts receivable at amortized cost. Trade payables and accrued liabilities and loans payable are classified for accounting purposes at amortized cost. As of October 31, 2019, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the short term maturity of these instruments.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Financial instrument classification	**Carrying amount**		**Fair value**	
		2019	2018	**2019**	2018
Financial assets:					
Cash	Amortized cost	**$ 85,392**	$ 1,060	**$ 85,392**	$ 1,060
Amounts receivable	Amortized cost	**24,842**	1,250	**24,842**	1,250
Financial liabilities:					
Trade payables and accrued liabilities	Amortized cost	**84,620**	23,166	**84,620**	23,166
Loans payable	Amortized cost	**$ -**	$ 165,790	**$ -**	$ 165,790

The sensitivity analysis shown in the notes below may differ materially from actual results. Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

(i) Cash is subject to floating interest rates. As at October 31, 2019, if interest rates had decreased/increased by 1% with all other variables held constant, there would not have been a material impact to the loss for the year ended October 31, 2019 given the low level of cash on hand throughout the year.

(ii) Cash, accounts payable and provisions denominated in US dollar are subject to foreign currency risk. As at October 31, 2019, had the US dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, there would have been a change of approximately $1 (2018 - $1) in the Company's net loss.

ADDITIONAL DISCLOSURES

Risks and uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of coal properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

Substantial capital requirements

The Company anticipates making substantial capital expenditures for the acquisition, exploration, development and production of mining reserves in the future. In addition, uncertain levels of near term industry activity coupled with the present uncertainty in global financial markets exposes the Company to additional financing risks. There can be no assurance that debt or equity financing, or funds generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

Regulatory

Mining and exploration 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.

Litigation and arbitration

All industries, including the mining industry, are subject to legal claims, with and without merit. Legal proceedings and arbitration may arise from time to time in the course of the Company's business. Such litigation may be brought against the Company or its subsidiary in the future from time to time or the Company or its subsidiary may be subject to another form of litigation. Defense and settlement costs of arbitration or legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and arbitration process, the process of defending such claims (or any other claims that may be brought against the Company), could take away from management time and effort and the resolution of any particular legal proceeding to which the Company or its subsidiary may become subject could have a material effect on the Company's financial position and results of operations.

Competition

The mining industry is competitive in all its phases. The Company competes with numerous other organizations in the search for and the acquisition of other properties and in the marketing of coal. Our competitors include mining companies that have substantially greater financial resources, staff and facilities than Yukoterre Resources Inc. Our ability to acquire properties in the future will depend on our ability to select and acquire suitable properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of coal include price and methods, reliability of delivery and control over key operations infrastructure.

Conflicts of interest

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in mining or natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Exploration, development and production risks

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Yukoterre Resources Inc. depends on its ability to find, appraise, develop and commercially produce resources and reserves, which will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire additional producing properties or prospects.

The Company may not be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Yukoterre Resources Inc. may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of coal will be discovered or acquired by the Company. Future exploration may involve unprofitable efforts from mines that are productive but do not produce sufficient coal to return a profit after drilling, operating and other costs. Completion of a mine does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a successful mine. These conditions include delays in obtaining governmental approvals or consents, insufficient storage or transportation capacity or other geological and mechanical conditions.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. Management's assessment of future plans and operations, capital expenditures, methods of financing capital expenditures and the ability to fund financial liabilities, expected commodity prices and the impact on Yukoterre Resources Inc., future operating costs, future transportation costs, results of arbitration or litigation proceedings; expected change in interest rates may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation to, statements with respect to the Company's development potential and program; the Company's ability to raise required capital, the future price of coal; the impact of changes in management; the estimation of coal reserves; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; currency exchange rates; potential and stability of foreign jurisdictions; government relations and regulation; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during exploration, development and construction; revocation of government approvals and contracts; timing and availability of external financing on acceptable terms; actual results of exploration activities; changes in project parameters as plans continue to be refined; future prices of coal; failure of plant, equipment or processes to operate as anticipated; litigation or arbitration proceedings; accidents, labour disputes; risks inherent in foreign operations and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.