

Yukoterre Resources Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended January 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

See accompanying notes to the condensed interim financial statements

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.

See accompanying notes to the condensed interim financial statements

Yukoterre Resources Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at:	January 31, 2020	October 31, 2019
ASSETS		
Current		
Cash	\$ 17,191	\$ 85,392
Amounts receivable (Note 4)	4,734	24,842
Total current assets	21,925	110,234
Non-current		
Exploration and evaluation asset (Note 5)	424,707	424,707
Total assets	\$ 446,632	\$ 534,941
LIABILITIES		
Current		
Trade payables and accrued liabilities (Note 6)	\$ 40,694	\$ 84,620
Total current liabilities	40,694	84,620
EQUITY		
Share capital (Note 7(b))	676,957	676,957
Contributed surplus (Note 8)	91,176	91,176
Deficit	(362,195)	(317,812)
Shareholders equity	405,938	450,321
Total liabilities and equity	\$ 446,632	\$ 534,941

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 10)

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.

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

For the three months ended	January 31, 2020	January 31, 2019
Expenses		
Consulting and management fees (Note 10)	\$ 30,866	\$ 7,600
Professional fees	3,000	3,935
General office expenses	10,517	104
Loss before interest expense	44,383	11,639
Interest expense	-	5,264
Loss and comprehensive loss for the period	\$ 44,383	\$ 16,903
Basic and diluted loss per share	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding - basic and diluted	10,520,541	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)

(Audited)

	Common Shares		Contributed Surplus	Accumulated Deficit	Equity
	#	\$	\$	\$	\$
Balance, October 31, 2019	10,520,541	676,957	91,176	(317,812)	450,321
Loss and comprehensive loss for the period	-	-	-	(44,383)	(44,383)
Balance, January 31, 2020	10,520,541	676,957	91,176	(362,195)	405,938
Balance, October 31, 2018	4,920,000	246,000	-	(102,967)	143,033
Loss and comprehensive loss for the period	-	-	-	(16,903)	(16,903)
Balance, January 31, 2019	4,920,000	246,000	-	(119,870)	126,130

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 three months ended	January 31, 2020	January 31, 2019
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	\$ (44,383)	\$ (16,903)
Items not involving cash:		
Accrued interest on loans payable	-	5,264
	(44,383)	(11,639)
Net change in non-cash working capital	(23,818)	(27,507)
Net cash flows (used in) operating activities	(68,201)	(39,146)
FINANCING ACTIVITIES		
Loan proceeds	-	49,000
Net cash flows provided by financing activities	-	49,000
INVESTING ACTIVITIES		
Exploration and evaluation asset (Note 5)	-	(1,017)
Net cash flow (used in) investing activities	-	(1,017)
CHANGE IN CASH DURING THE PERIOD	(68,201)	8,837
CASH, beginning of the period	85,392	1,060
CASH, end of the period	\$ 17,191	\$ 9,897

See accompanying notes to the condensed interim financial statements

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020 and 2019

(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. 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.

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 \$44,383 during the three months ended January 31, 2020 (three months ended January 31, 2019 - \$11,639). As at January 31, 2020, the Company had a working capital deficit of \$18,769 (October 31, 2019 – surplus of \$25,614) and an accumulated deficit of \$362,195 (October 31, 2019 - \$317,812). 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 condensed interim 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, 2019.

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 March 30, 2020.

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, 2019.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended January 31, 2020 and 2019

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards

The Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16 and IFRIC 23. There was no material impact on the Company's financial statements as result of the adaptation of these new standards. Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after November 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

AS 1, Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

4. AMOUNTS RECEIVABLE

The amounts receivable balance as at January 31, 2020 and October 31, 2019, consisted of amounts receivable from the Government of Canada for Harmonized Sales Taxes (HST).

	January 31, 2020	October 31, 2019
Government of Canada HST	\$ 4,734	\$ 24,842
Total	\$ 4,734	\$ 24,842

5. EXPLORATION AND EVALUATION ASSET

Incurred during the period ended:	January 31, 2020	October 31, 2019
Description		
Consulting and technical	\$ -	\$ 34,562
Travel	-	39,390
Reports	-	605
Drilling and assay	-	20,471
Total exploration and evaluation asset	\$ -	\$ 95,028

Balance as at October 31, 2018	\$ 329,679
Capitalized expenditures during the year	95,028
Balance as at October 31, 2019	\$ 424,707
Balance as at January 31, 2020	\$ 424,707

6. TRADE PAYABLES AND ACCRUED LIABILITIES

As at:	January 31, 2020	October 31, 2019
Trade payables	\$ 26,194	\$ 73,120
Accrued liabilities	14,500	11,500
Total trade payable and accrued liabilities	\$ 40,694	\$ 84,620

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

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(Unaudited)

7. 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, 2018	4,920,000	\$ 246,000
Shares for debt settlement	2,100,541	210,054
Private placement	3,500,000	350,000
Share issue costs	-	(129,097)
Balance as of October 31, 2019 and January 31, 2020	10,520,541	\$ 676,957

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.

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.

On September 24, 2019, the Company completed its Initial Public Offering ("IPO") and issued 3,500,000 common shares at \$0.10 per common share for gross proceeds of \$350,000. In connection with the financing, the Company paid PI Financial Corp., a commission and corporate finance fee of \$78,413. The Company also issued 245,000 compensation options to PI Financial Corp. with a grant date fair value of \$12,931 (see Note 10) with an exercise price of \$0.10 and expiry date of September 24, 2021. There was also \$37,753 of professional fees incurred for the IPO.

8. OPTIONS

The Company has a stock option plan whereby it may grant options for the purchase of common shares to any director, officer or consultant of the Company. The aggregate number of shares that may be issuable pursuant to options granted under the Company's stock option plan will not exceed 10% of the issued common shares of the Company (the "Shares") at the date of grant. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options will be determined by the board at the time of grant, but in the event that the Shares are traded on the Canadian Security Exchange or any other stock exchange (the "Exchange"), may not be less than the closing price of the Shares on the Exchange on the trading date immediately preceding the date of grant, subject to all applicable regulatory requirements.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

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(Unaudited)

8. OPTIONS (continued)

Information relating to share options outstanding as at January 31, 2020 and October 31, 2019 is as follows:

	Number of Options	Weighted average exercise price
Balance, October 31, 2019	1,295,000	\$ 0.10
Granted	-	-
Balance, January 31, 2020	1,295,000	\$ 0.10

Date of expiry	Options outstanding	Options exercisable	Exercise price	Grant date fair value vested	Remaining life in years
September 24, 2021	245,000	245,000	\$0.10	\$ 12,931	1.65
September 25, 2024	1,050,000	1,050,000	\$0.10	78,245	4.65
	1,295,000	1,295,000		\$ 91,176	3.15

In relation to the IPO, on September 24, 2019, the Company granted 245,000 compensation options to PI Financial Corp. with exercise price of \$0.10 per common share. The fair market value of the options was estimated to be \$12,931 using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.52%, expected volatility of 100%, an estimated life of 2 years and an expected dividend yield of 0%.

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 to be \$78,245 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%.

9. RELATED PARTY DISCLOSURES

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 (Note 10). Key management personnel compensation comprised:

For the three months ended:	January 31, 2020	January 31, 2019
Directors and officers' compensation	\$ 15,900	\$ -
Share-based payments	-	-
	\$ 15,900	\$ -

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

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10. COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts. Currently, these contracts require payments of \$190,800 as at January 31, 2020 (October 31, 2019 - \$190,800) 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, 2019 - \$141,300) 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.

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.

11. SUBSEQUENT EVENTS

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.