

YUKOTERRE RESOURCES INC.

**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION
TO BE HELD ON JANUARY 29, 2021**

TO THE SHAREHOLDERS OF YUKOTERRE RESOURCES INC.

NOTICE IS HEREBY GIVEN THAT the annual general and special meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of **Yukoterre Resources Inc.** (the “**Corporation**”) will be held at 65 Queen Street West, 9th Floor, Toronto, Ontario, M5H 2M5 on January 29, 2021 at 11:00 a.m. (Toronto time) for the following purposes:

- (A) to receive and consider the audited financial statements of the Corporation for the financial year ended October 31, 2019, together with the report of the auditors thereon, and the unaudited financial statements of the Corporation for the nine-month period ended July 31, 2020;
- (B) to consider and, if deemed advisable, to pass an ordinary resolution electing the directors as set out in the Corporation’s information circular dated December 22, 2020 (the “**Circular**”) with such election including one slate of directors to hold office until the next annual meeting of Shareholders, or an alternative slate of directors conditional upon, and effective as of, the completion of the Corporation’s reverse take-over with FlyOverture Equity Inc. (“**Silo**”) (the “**Transaction**”);
- (C) to consider and, if deemed advisable, to pass a special resolution authorizing the Corporation to amend its articles to consolidate the common shares of the Corporation (the “**Common Shares**”) on the basis of one half (0.5) post-consolidation common share of the Corporation (the “**Common Shares**”) for every one (1) pre-consolidation Common Share;
- (D) to consider and, if deemed advisable, to pass a special resolution authorizing the Corporation to (a) enter into a purchase agreement to sell its interest in the Division Mountain Property to an arm’s length third party, and (b) enter into an amalgamation agreement with Silo and a wholly-owned subsidiary of the Corporation to effect the Transaction;
- (E) to consider and, if deemed advisable, to pass a special resolution authorizing the Corporation to amend its articles to change the name of the Corporation to “Silo Wellness Inc.” or such other name as the Board of Directors may choose, acting in the best interests of the Corporation;
- (F) to consider and, if deemed advisable, to pass an ordinary resolution of Shareholders approving the Corporation’s existing stock option plan for the ensuing year, reserving for grant options to acquire up to a maximum of 10% of the issued and outstanding shares of the Corporation calculated at the time of each stock option grant;
- (G) to appoint McGovern Hurley LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix their remuneration; and
- (H) to transact such further or other business as may properly come before the Meeting and any adjournment(s) thereof.

AS A RESULT OF THE GOVERNMENTAL PROHIBITION AGAINST GROUP GATHERINGS AND TO HELP REDUCE THE SPREAD OF COVID-19, ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE ENCOURAGE ALL SHAREHOLDERS TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.

Shareholders and/or their appointees may participate in the Meeting by way of conference call however votes cannot be cast on the conference call. Please register at <https://us02web.zoom.us/join/register/tZ0ocOigqjMtH9INKu18IvzMNrOvF0vuekmZ> to receive conference call details. Electronic copies of the Meeting materials may be obtained at www.SEDAR.com.

The accompanying information circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice. Also accompanying this notice is a form of proxy. Any adjournment(s) of the Meeting will be held at a time and place to be specified at the Meeting. Only Shareholders of record at the close of business on December 29, 2020 are entitled to receive notice of and vote at the Meeting and any adjournment(s) or postponement(s) thereof.

If you are a registered Shareholder of the Corporation and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it in the envelope provided to TSX Trust Company, the registrar and transfer agent of the Corporation, at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Meeting.

If you are not a registered Shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the form of proxy in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.

DATED this 22nd day of December, 2020

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Kenny Choi"

**KENNY CHOI
CHIEF EXECUTIVE
OFFICER**

YUKOTERRE RESOURCES INC.

**MANAGEMENT INFORMATION CIRCULAR
DECEMBER 22, 2020**

INFORMATION REGARDING CONDUCT OF MEETING

Solicitation of Proxies

This management information circular (“Circular”) is furnished in connection with the solicitation by the management of Yukoterre Resources Inc. (“Yukoterre” or the “Corporation”) of proxies to be used at the annual general and special meeting (the “Meeting”) of holders of common shares (“Shareholders”) of the Corporation to be held on January 29, 2021 at 11:00 a.m. (Toronto time) and at any postponement(s) or adjournment(s) thereof for the purposes set forth in the accompanying notice of meeting (“Notice of Meeting”). References in this Circular to the “Meeting” include references to any postponement(s) or adjournment(s) thereof. It is expected that the solicitation will be primarily by mail but proxies may also be solicited through other means by employees, consultants and agents of the Corporation. The cost of solicitation by management will be borne by the Corporation.

The board of directors of the Corporation (the “Board of Directors”) has by resolution fixed the close of business on December 29, 2020 as the record date for the meeting (the “Record Date”) being the date for the determination of the registered holders of common shares of the Corporation (the “Common Shares”) entitled to notice of and to vote at the Meeting and any adjournment(s) or postponement(s) thereof (the “Shareholders”). The Board of Directors has by resolution fixed 11:00 a.m. (Toronto time) on January 27, 2021, or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment(s) or postponement(s) of the Meeting, as the time by which proxies to be used or acted upon at the Meeting or any adjournment(s) or postponement(s) thereof shall be deposited with the Corporation’s transfer agent. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion without notice.

The Corporation shall make a list of all persons who are registered holders of Common Shares on the Record Date and the number of Common Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote on each matter to be acted on at the Meeting for each Common Share registered in his name as it appears on the list.

Unless otherwise stated, the information contained in this Circular is as of December 22, 2020. All dollar amount references, unless otherwise indicated, are expressed in Canadian dollars.

AS A RESULT OF THE GOVERNMENTAL PROHIBITION AGAINST GROUP GATHERINGS AND TO HELP REDUCE THE SPREAD OF COVID-19, ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE ENCOURAGE ALL SHAREHOLDERS TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.

Shareholders and/or their appointees may participate in the Meeting by way of conference call however votes cannot be cast on the conference call. Please register at <https://us02web.zoom.us/meeting/register/tZ0ocOigqjMtH9INkU18lyzMNrOyF0vuekmZ> to receive conference call details. Electronic copies of the Meeting materials may be obtained at www.sedar.com.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Shareholder desiring to appoint some other person or company to represent him or her at the Meeting may do so** by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent of the Corporation indicated on the enclosed envelope not later than the times set out above.

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing at 65 Queen Street West, Suite 900, Toronto, Ontario, M5H 2M5 at any time up to and including the last business day preceding the day of the Meeting.

Voting of Proxies

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **will be voted for each of the matters to be voted on by Shareholders as described in this Circular or withheld from voting or voted against if so indicated on the form of proxy and in accordance with the instructions of the Shareholder. In the absence of such election, the proxy will confer discretionary authority to be voted in favour of each matter set out in the form of proxy for which no choice has been specified.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. At the time of printing this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgement of the named proxies.

Non-Registered Holders

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a holder who is not a registered Shareholder (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the Common Shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFFs, RESPs and similar plans (an "**Intermediary**"); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation will distribute copies of the Notice of Meeting, form of proxy and this Circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the "**Voting Instructions Form**") which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instructions Form and a form of legal proxy will be sent to

the Non-Registered Holder. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

Voting Securities and Principal Holder Thereof

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of the Record Date, the Corporation had 10,520,541 Common Shares issued and outstanding and no preferred shares issued and outstanding.

To the knowledge of the directors and officers of the Corporation, as at the Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attached to the Common Shares other than Mr. Fred Leigh, who holds 2,560,541 Common Shares, representing 23.78% of the total issued and outstanding Common Shares.

Interest of Persons in Matters to be Acted Upon

No director or executive officer of the Corporation, nor any person who had held such a position since the beginning of the last completed financial year end of the Corporation, no nominee for election as a director of the Corporation (a "**Nominee**") nor any respective associates or affiliates of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at this Meeting other than the election of directors or the appointment of auditors.

MATTERS TO BE CONSIDERED

Financial Statements

The financial statements for the fiscal year ended October 31, 2019, together with the auditor's report thereon, and the interim financial statements for the nine months ended July 31, 2020 will be presented to Shareholders for review at the Meeting and were mailed to Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

Election of Directors

Under the constating documents of the Corporation, the Corporation is to have a minimum of three directors and a maximum of ten directors, the number of which may be fixed from time to time by a resolution of the board. The Corporation currently has three directors, being Fred Leigh, Maurice Colson and Andreas Rompel.

As set out in the press release of the Corporation dated June 17, 2020 and as updated by the press release issued on August 25, 2020, the Corporation has entered into an amalgamation agreement (the "**Amalgamation Agreement**") with FlyOverture Equity, Inc. (operating as "Silo Wellness" and referred to herein as "**Silo**") and a wholly-owned subsidiary of the Corporation. Pursuant to the Amalgamation Agreement, the Corporation's wholly-owned subsidiary will amalgamate with Silo resulting in Silo becoming a wholly-owned subsidiary of the Corporation (the "**Amalgamation**") and all of the issued and outstanding securities of Silo will be exchanged for securities of the Corporation. The Amalgamation is intended to constitute a reverse take-over of the Corporation with the resulting entity (the "**Resulting Issuer**") carrying on the business of Silo (the "**Transaction**"). The Transaction will constitute a "Fundamental Change" of Yukoterre, as defined by the policies of Canadian Securities Exchange (the "**CSE**"). Further disclosure with respect to the Transaction will be set out in the Corporation's Form 2A Listing Statement which will be posted under the Corporation's profile on SEDAR at www.sedar.com.

Shareholders are asked to also approve the re-election of the current board of directors, Fred Leigh, Maurice Colson and Andreas Rompel (the “**Current Board**”).

Conditional upon, and effective as of the completion of the Amalgamation, the Shareholders are also asked to approve the election of the following nominees to the board, in accordance with the terms of the Amalgamation Agreement, being: Fred Leigh, Maurice Colson, Winfield Yongbiao Ding, Mike Arnold and Mo Yang (the “**Nominees**”), to hold office until the next annual general meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Ontario) (the “**Board Change**”). Shareholders will be asked to consider and, if thought appropriate, to authorize and approve an ordinary resolution in the form set out below, approving the Board Change (the “**Board Change Resolution**”). Management does not contemplate that the Nominees will be unable to serve as directors, however, if before the Meeting, any nominee becomes unable to serve as a director for any reason, the persons named in the accompanying proxy reserve the right to vote for another nominee in their discretion.

The following sets forth the name of each of the persons proposed to be nominated for election as a director of the Corporation following completion of the Amalgamation, and each such nominee’s principal occupation, business or employment, the period of time during which each has been a director of the Corporation, as applicable, the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date hereof.

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of all of the Nominees conditional upon the completion of the Transaction, and for the Current Board in the event the Transaction does not close. If prior to the Meeting any of such Nominees is unable to or unwilling to serve, the persons named in the accompanying form of proxy will vote for another nominee or nominees in their discretion if additional nominations are made at the Meeting. Each Nominee elected will hold office until his or her successor is elected at the next annual meeting of the Corporation, or any postponement(s) or adjournment(s) thereof, or until his or her successor is elected or appointed.

The Nominees

Name and Municipality of Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned or Over which Control is Exercised ⁽¹⁾
Fred Leigh ⁽²⁾ Toronto, Ontario, Canada	President of Siwash Holdings Ltd President of 2227929 Ontario Inc. Chief Executive Officer of Routemaster Capital Inc.	January 14, 2019	2,560,541
Maurice Colson ⁽²⁾ Toronto, Ontario, Canada	Officer of China Goldcorp. Ltd. and public company director	May 13, 2019	0
Winfield Yongbiao Ding ⁽³⁾ Toronto, Ontario, Canada	Director & CFO, Gravitas Financial Inc. Director, CF Energy Corp. CFO, Sparton Resources Inc. President, Oriental Sources Inc	N/A	0
Mike Arnold Springfield, Oregon, United States of America	President of Silo Independent consultant, (cannabis business and regulatory consulting) Attorney, Arnold Law	N/A	0
Mo Yang Toronto, Ontario, Canada	Founder of Nexoa Inc. (business consulting) Vice-President, finance, Mavtek (Saas / technology) Associate, Sales and Trading, BMO Capital Markets (financial services)	N/A	0

Notes:

- (1) The Corporation has relied exclusively on the respective Nominee for this information.
- (2) Member of the Audit Committee.
- (3) Proposed member of the Audit Committee.

Mike Arnold – President and Director

Mr. Arnold is a former Oregon trial attorney (complex criminal defense and commercial litigation) and entrepreneur. Mr. Arnold was actively involved in the cannabis sector in the United States, having defended cannabis farmers in both federal and state courts. Additionally, Mr. Arnold was involved in cannabis regulatory work, drafting cannabis license applications as state regulations permitted. Mr. Arnold is also an experienced farmer, having raised livestock and poultry and operated a commercial cannabis outdoor farming operation. Mr. Arnold developed the concept for Silo's metered-dose psilocybin nasal spray in 2018 together with his co-inventor. In Jamaica, Mr. Arnold has extracted psychedelic compounds from raw biomass and developed and quality tested products there. Mr. Arnold received his Bachelor of Arts from Truman State University and Juris Doctor from the University of Oregon School of Law.

Winfield Yongbiao Ding – Director

Mr. Ding has been CFO and director for a number of public companies in Canada. He is a seasoned senior finance executive with over twenty years of finance and operations experience. A former audit manager and currently a self-practitioner, he worked in audit, taxation and advisory roles across a wide range of industries with a focus on public issuers financial reporting and business

advisory. He has been Audit Committee Chairman of CF Energy Corp. (TSXV: CFY) since March 2015, and Director and Officer of Gravitas Financial Inc. (CSE: GFI) since April 2019. Mr. Ding received his MBA from the Chinese University of Hong Kong.

Mo Yang – Chief Operating Officer and Director

Mr. Yang is the founder of Nexoa Inc., a CFO consulting services company and is a Chartered Professional Accountant and Chartered Financial Analyst. Mr. Yang acts as Chief Financial Officer for several companies across a variety of sectors including private equity, cannabis and natural health products. Prior to Nexoa Inc., Mr. Yang was involved in closing and closed over \$2 billion in mergers and acquisitions at Raymond Chabot Grant Thornton and covered rate products, foreign exchange and exchange traded funds at BMO Capital Markets. Mr. Yang received his B Comm and Master in Accounting from Concordia University.

See “Corporate Governance Policies – Board of Directors” for additional biographical information for Fred Leigh and Maurice Colson.

The Current Board

Name and Municipality of Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned or Over which Control is Exercised⁽¹⁾
Fred Leigh ⁽²⁾ Toronto, Ontario, Canada	President of Siwash Holdings Ltd President of 2227929 Ontario Inc. Chief Executive Officer of Routemaster Capital Inc.	January 14, 2019	2,560,541
Maurice Colson ⁽²⁾ Toronto, Ontario, Canada	Officer of China Goldcorp. Ltd. and public company director	May 13, 2019	0
Dr. Andreas Rompel ⁽²⁾ Toronto, Ontario, Canada	President of Jourdan Resources Inc. Vice-President, Exploration of African Gold Group, Inc.	January 14, 2019	0

Notes:

- (1) The Corporation has relied exclusively on the respective Nominee for this information.
- (2) Member of the Audit Committee.

See “Corporate Governance Policies – Board of Directors” for additional biographical information for the current directors of the Corporation.

Cease Trade Orders or Bankruptcies

No proposed director of the Corporation is, or within ten years prior to the date hereof has been, (a) a director, chief executive officer or chief financial officer of any company (including the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was

issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) no proposed director of the Corporation (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; and (c) no proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director, except as follows:

Mr. Ding was a director of Changfeng Energy Inc. ("**Changfeng**") when the Ontario Securities Commission ("**OSC**") issued a cease trade order dated May 7, 2015 that was subsequently lifted on June 3, 2015, due to the delay in Changfeng's filing of its 2014 annual audited financial statements and related management's discussion and analysis and officer's certification. In addition, Mr. Ding was also the Chief Financial Officer of EA Education Group Inc. ("**EA**") when it was issued a cease trade order dated January 5, 2017 by the OSC for failing to file its annual financial statements and management's discussion and analysis and certification of the annual filings for the year ended August 31, 2016, which were subsequently filed with the respective securities commission on June 28, 2017, and when a cease trade order against EA was issued on January 5, 2018 by the OSC for failing to file its annual financial statements and management's discussion and analysis and certification of the annual filings for the year ended August 31, 2017, all of which were filed on March 29, 2018.

Election of Directors Resolution

The Shareholders will be asked to consider and, if thought appropriate, to authorize and approve the Board Change Resolution. The following is the text of the Board Change Resolution which will be put forward to shareholders for approval at the Meeting:

"NOW THEREFORE BE AND IT IS RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. Fred Leigh, Maurice Colson and Dr. Andreas Rompel, be and the same are hereby re-elected as directors of the Corporation to hold office until the next annual meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the provisions of the OBCA (subject to (2) below);
2. conditional upon, and effective as of the completion of the reverse take-over of Yukoterre Resources Inc. (the "**Corporation**") by FlyOverture Equity, Inc. (the "**Transaction**"), Winfield Yongbiao Ding, Mike Arnold and Mo Yang, be and the same are hereby elected as directors of the Corporation to hold office with Fred Leigh and Maurice Colson, resulting in a board of five (5) directors comprised of: Fred Leigh, Maurice Colson, Winfield Yongbiao Ding, Mike Arnold and Mo Yang, until the next annual meeting of Shareholders or until their successors are elected or appointed, unless such office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**"); and
3. any director or officer of the Corporation be, and such director or officer of the Corporation hereby is, authorized, instructed and empowered, acting for, in the name of and on behalf

of the Corporation, to do or to cause to be done all such other acts and things in the opinion of such director or officer of the Corporation as may be necessary or desirable in order to fulfill the intent of this ordinary resolution.”

Management of the Corporation and the Board of Directors unanimously recommend that Shareholders vote in favour of the Board Change Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Board Change Resolution.

This ordinary resolution needs to be adopted by a simple majority of the votes cast by the Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

Share Consolidation

As a condition of the Transaction, the Corporation is required to consolidate the Common Shares by exchanging every one existing Common Share for one half (0.5) of a new Common Share (the “**Share Consolidation**”). Accordingly, at the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a special resolution as set forth below hereto authorizing the Corporation to consolidate the Common Shares. The Board of Directors shall in its sole discretion determine the Share Consolidation ratio that results in the Corporation continuing to meet the distribution requirements of the CSE. Notwithstanding approval of the proposed Share Consolidation by Shareholders, the Board of Directors, in its sole discretion, may revoke the special resolution and abandon the Share Consolidation without further approval or action by or prior notice to Shareholders.

No fractional Common Shares will be issued in connection with the Share Consolidation and, in the event that a Shareholder would otherwise be entitled to receive a fractional Common Share upon the Share Consolidation, such fraction will be rounded down to the nearest whole number.

If approved and implemented, the Share Consolidation will occur simultaneously for all of the Common Shares and the Share Consolidation ratio will be the same for all of such Common Shares. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding Common Shares that will result from the Share Consolidation will cause no change in the capital attributable to the Common Shares and will not materially affect any Shareholder’s percentage ownership in the Corporation, even though such ownership will be represented by a smaller number of Common Shares.

In addition, the Share Consolidation will not materially affect any Shareholder’s proportionate voting rights. Each Common Share outstanding after the Share Consolidation will be entitled to one vote and will be fully paid and non-assessable.

The principal effects of the Share Consolidation will be that the number of Common Shares issued and outstanding will be reduced from 10,520,541 Common Shares as of the date hereof to approximately 5,260,270 Common Shares, assuming a Share Consolidation ratio of one half (0.50) of a post-consolidation Common Share for every one (1) pre-consolidation Common Share held. The implementation of the Share Consolidation would not affect the total shareholders’ equity of the Corporation or any components of shareholders’ equity as reflected on the Corporation’s financial statements except: (i) to change the number of issued and outstanding Common Shares; and (ii) to change the stated capital of the Common Shares to reflect the Share Consolidation.

If the special resolution is approved by Shareholders and the Board of Directors decides to implement the Share Consolidation, the Corporation will file articles of amendment with the Director under the *Business Corporations Act* (Ontario) (“**OBCA**”). The Share Consolidation will become effective on the date shown in the certificate of amendment issued by the Director under the OBCA

or such other date indicated in the articles of amendment provided that, in any event, such date will be prior to the next annual meeting of Shareholders.

Under the OBCA, Shareholders do not have dissent and appraisal rights with respect to the proposed Share Consolidation.

The text of the special resolution, which will be submitted to Shareholders at the Meeting, is set forth below. For the reasons indicated herein, the Board of Directors and management of the Corporation believe that the proposed Share Consolidation is in the best interests of the Corporation and, accordingly, recommend that Shareholders vote FOR the special resolution. To be effective, the Consolidation must be approved by not less than two-thirds (66⅔%) of the votes cast by holders of Common Shares present in person or represented by proxy and entitled to vote at the Meeting.

NOW THEREFORE BE AND IT IS RESOLVED AS A SPECIAL RESOLUTION THAT

1. The Corporation is hereby authorized to amend its articles of amalgamation to provide that:
 - a. the authorized capital of the Corporation is altered by consolidating all of the issued and outstanding common shares of the Corporation (“**Common Shares**”) without par value on the basis of one half (0.5) post-consolidation Common Share for every one (1) pre-consolidation Common Share;
 - b. in the event that the consolidation would otherwise result in the issuance of a fractional Common Share, no fractional Common Share shall be issued and such fraction will be rounded down to the nearest whole number; and
 - c. the effective date of such consolidation shall be the date shown in the Certificate of Amendment issued by the Director appointed under the *Business Corporations Act* (Ontario) or such other date indicated in the articles of amendment provided that, in any event, such date will be prior to the next annual meeting of Shareholders.
2. Any director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute, or to cause to be executed, whether under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such other documents and instruments, and to do or cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to carry out the intent of this special resolution, including, without limitation, the determination of the effective date of the consolidation and the delivery of articles of amendment in the prescribed form to the Director appointed under the *Business Corporations Act* (Ontario), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.
3. Notwithstanding the foregoing, the directors of the Corporation are hereby authorized, without further approval of or notice to the Shareholders of the Corporation, to revoke this special resolution at any time before a certificate of amendment is issued by the Director.

Management of the Corporation and the Board of Directors unanimously recommend that Shareholders vote in favour of the Share Consolidation. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Share Consolidation.

In the event that the Corporation proceeds with the Share Consolidation, it will send letters of transmittal to holders of Common Shares for use in transmitting their share certificates to the

Corporation's registrar and transfer agent, TSX Trust Company, in exchange for new certificates of the Corporation. Once a Certificate of Amendment (or the equivalent) is obtained and properly completed letters of transmittal together with any share certificates representing Common Shares issued prior to the Share Consolidation have been received in accordance with instructions contained in the letters of transmittal, certificates for the appropriate number of Common Shares reflecting the Share Consolidation will be issued.

Amalgamation and the Spin-Out

The Corporation's current business is the business of mineral resource exploration, more particularly the exploration of the Division Mountain Property in the Yukon Territory. As a condition of completing the Transaction, the Corporation will be required to dispose of the Division Mountain Property as the business of the Corporation after the Transaction will be the business of Silo, a psychedelics and functional mushroom company. As such, the Corporation intends to enter into a purchase agreement to sell all of its interest in the Division Mountain Property, along with any associated liabilities, to an arm's length third-party (the "**Yukoterre Spin-Out**"). The Yukoterre Spin-Out will result in the Corporation disposing of substantially all of its assets. A copy of the purchase agreement with respect to the Yukoterre Spin-Out is attached hereto as Schedule "D" (the "**Yukoterre Spin-Out Purchase Agreement**").

If the Transaction is successful, the Corporation's sole business will be the business of Silo which is subject to a number of significant risks which are different than the current business of the Corporation, and a continued investment in the Corporation will involve a high degree of risk. Investors should carefully consider each of such risks and all of the information in this Circular regarding the proposed Transaction. The success of the Corporation will depend on the expertise, ability, judgment, discretion, integrity and good faith of its management.

The Transaction is an arm's length transaction. None of the directors, officers or promoters of the Corporation, nor any of their respective associates and affiliates, have any interest in the Transaction (other than as Shareholders, directors and officers) nor will they receive any consideration from the Corporation in connection therewith other than as disclosed in this Circular.

Description of the Amalgamation Agreement

Pursuant to the Amalgamation Agreement, the Transaction will be completed by way of a reverse take-over of the Corporation with the Resulting Issuer carrying on the business of Silo. The following description of the material terms and conditions of the Amalgamation Agreement is a summary only and is qualified in its entirety by reference to the terms of the Amalgamation Agreement. The full text of the Amalgamation Agreement is available under the Corporation's profile on SEDAR at www.sedar.com.

Mutual Agreement Regarding the Transaction

Each of Yukoterre and Silo has agreed and given usual and customary mutual covenants for an agreement of the nature of the Amalgamation Agreement, including that the Corporation apply for the and receive the approval of the CSE with respect to the Transaction.

Covenants of Yukoterre

Yukoterre has given, in favour of Silo, usual and customary covenants for the conduct of its business in the ordinary and usual course until the closing of the Transaction, consistent with an agreement of the nature of the Amalgamation Agreement, and including seeking shareholder approval for the matters set forth in this Circular, using commercially reasonable efforts to obtain the approval of the CSE, or not altering or amending its articles or by-laws except as contemplated in this Circular.

Covenants of Silo

Silo has given, in favour of Yukoterre, usual and customary covenants for the conduct of its business in the ordinary and usual course until the closing of the Transaction, consistent with an agreement of the nature of the Amalgamation Agreement, and including seeking shareholder approval for the Amalgamation.

Alternative Transactions

Until the closing of the Transaction, each of Yukoterre and Silo have agreed that it shall not directly or indirectly, through any of its directors, officers, shareholders, employees, consultants, agents, advisors or representatives or otherwise, solicit, encourage or pursue an "Alternative Transaction" (defined as any acquisition, merger, arrangement, amalgamation, other business combination, joint venture or equity financing or similar transaction that would be reasonably likely to impede the Transaction).

Representations and Warranties

Each of Yukoterre and Silo has made certain customary representations and warranties in the Amalgamation Agreement, including representations and warranties related to their due organization and qualification and authorization to enter into the Amalgamation Agreement and carry out their obligations thereunder.

The representations and warranties are, in some cases, subject to specified exceptions and qualifications.

Mutual Conditions of Closing

The obligations of Yukoterre and Silo to complete the transactions contemplated by the Amalgamation Agreement are subject to the fulfilment, of each of the following conditions precedent, each of which may only be waived with the mutual consent of the parties:

1. Shareholder Approval. The Transaction shall have received the requisite approval of the shareholders of each of Yukoterre and Silo;
2. Prohibition at Law. There shall not exist any injunction or restraining order of any court or administrative tribunal of competent jurisdiction prohibiting the transactions contemplated by the Amalgamation Agreement;
3. CSE Approval. All required key approvals of the CSE with respect to the Transaction shall have been obtained; and
4. Termination. The Amalgamation Agreement shall not have been terminated.

Additional Conditions in Favour of Yukoterre

The Amalgamation Agreement provides that the obligation of Yukoterre to consummate the transactions contemplated thereby, and in particular the Transaction, is subject to certain conditions precedent:

1. Covenants. All obligations and covenants of Silo under the Amalgamation Agreement not waived by Yukoterre shall have been performed and complied with by Silo;
2. Representations and Warranties. All representations and warranties of Silo set forth in the Amalgamation Agreement shall be true and correct;

3. No Material Adverse Change. Since the date of the Amalgamation Agreement, there will not have been any Material Adverse Changes (as defined in the Amalgamation Agreement) or any development that could reasonably result in a Material Adverse Effect (as defined in the Amalgamation Agreement) on Silo; and
4. Concurrent Financing. A concurrent financing shall have been completed by Silo to provide the Resulting Issuer with working capital.

Additional Conditions in Favour of Silo

The Amalgamation Agreement provides that the obligation of Silo to consummate the transactions contemplated thereby, and in particular the Transaction, is subject to certain condition precedents:

1. Covenants. All obligations and covenants of Yukoterre under the Amalgamation Agreement have been performed and complied with by Yukoterre.
2. Representations and Warranties. All representations and warranties of Yukoterre set forth in the Amalgamation Agreement shall be true and correct
3. No Material Adverse Change. Since the date of the Amalgamation Agreement, there will not have been any Material Adverse Changes or any development that could reasonably result in a Material Adverse Effect;
4. Board of Directors: The Nominees shall have been duly elected or appointed, as applicable, to the Board of Directors;
5. Spin-Out: Yukoterre shall have completed the Yukoterre Spin-Out;
6. Lock-Up Agreements. Lock up agreements shall be received from applicable insiders of both Yukoterre and Silo; and
7. CSE Listing. Yukoterre shall meet the listing requirements of the CSE and shall be in compliance with applicable securities laws and the rules and policies of the CSE.

Termination of the Amalgamation Agreement

The Amalgamation Agreement may be terminated at any time prior to Closing as follows:

1. by mutual written agreement of Yukoterre and Silo; or
2. by Silo if:
 - a. the shareholders of Yukoterre or Silo have not approved the Transaction on or before January 31, 2021;
 - b. Yukoterre has not received the requisite CSE approvals with respect to the Transaction on or before February 28, 2021, or any other applicable regulatory authority having notified either Yukoterre or Silo that it will not permit the Transaction (or any part thereof) to proceed;
 - c. Yukoterre materially breaches any of its representations or warranties or fails to comply with any covenants contained herein, and such default is not remedied within five Business Days of written notice provided to Yukoterre of such default; or

- d. any of the conditions precedent contained in the Amalgamation Agreement for the benefit of Silo or the mutual conditions precedent, has not been complied with, or waived by Silo.
3. by Yukoterre if:
 - a. Silo materially breach any of its representations or warranties or fails to comply with any covenants contained in the Amalgamation Agreement, and such default is not remedied within five Business Days of written notice provided of such default; or
 - b. any of the conditions precedent contained in the Amalgamation Agreement for the benefit of Yukoterre have not been complied with, or waived by Yukoterre.

Termination Expenses

The Amalgamation Agreement specifies that, both Silo and Yukoterre are responsible for their respective costs and expenses incurred with respect to the Transaction. Notwithstanding the foregoing, the parties agree that Silo shall be responsible for the payment of all related third party costs and fees with respect to the Transaction, including, without limitation, the Private Placement (as defined in the Amalgamation Agreement), all shareholder meetings and the application to the CSE for the listing of the additional Common Shares to be issued pursuant to the completion of the Transaction, provided that such costs may first be paid by Yukoterre and reimbursed by Silo thereafter.

Amalgamation and Spin-Out Resolution

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to approve and authorize the following resolution in respect of the Transaction (the "**Amalgamation Resolution**"):

"NOW THEREFORE BE AND IT IS RESOLVED THAT:

1. the amalgamation of the Corporation's wholly owned subsidiary in connection with the Corporation's proposed transaction with Silo Wellness Inc., as more particularly described in the management information circular of the Corporation, be and is hereby approved;
2. the Corporation is hereby authorized to consummate the transactions as set forth in the Amalgamation Agreement, and the entering into of the Amalgamation Agreement by the Corporation is hereby ratified and approved;
3. the Corporation is hereby authorized to consummate the Yukoterre Spin-Out, and the entering into the Yukoterre Spin-Out Purchase Agreement, with such deletions, amendments or additions thereto as any one director or officer of the Corporation may determine (the acceptance of such Yukoterre Spin-Out Purchase Agreement by the Corporation being conclusive evidence of such determination), is hereby authorized and approved, and the execution and delivery of the Yukoterre Spin-Out Purchase Agreement by any officer or director of the Corporation is hereby authorized and approved;
4. any one (1) director or officer of the Corporation is hereby authorized and directed to do all things and to execute all instruments, documents as in their opinion may be necessary or desirable in order to give effect to this resolution including but without limitation making an necessary filings with the CSE and any other regulatory authorities; and

5. notwithstanding the approval of the shareholders of the Corporation as herein provided, the board of directors of the Corporation may, in their sole discretion, revoke this resolution before it is acted upon, without further approval of the shareholders of the Corporation."

Management of the Corporation and the Board of Directors unanimously recommend that Shareholders vote in favour of the Amalgamation Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Amalgamation Resolution.

To be effective, the Amalgamation Resolution must be approved by not less than two-thirds (66⅔%) of the votes cast by holders of Common Shares present in person or represented by proxy and entitled to vote at the Meeting.

Name Change

Management of the Corporation proposes to change the name of the Corporation to "Silo Wellness Inc." to be effective contemporaneously with, and conditional upon, the completion of the Transaction.

As such, the Board of Directors recommends that the Shareholders approve a special resolution amending the articles of incorporation of the Corporation to change the Corporation's name to "Silo Wellness Inc." in connection with the Transaction.

The text of the change of name resolution reads as follows (the "**Name Change Resolution**"):

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT the articles of incorporation of Yukoterre Resources Inc. (the "**Corporation**") be amended to change the name of the Corporation to "Silo Wellness Inc." or such other name as the Board of Directors may choose, acting in the best interests of the Corporation, and provided that the Board of Directors may, in its sole discretion, revoke this special resolution before it is acted upon without further approval of the shareholders of the Corporation. Any officer or director of the Corporation is hereby authorized to execute, file and deliver such documents, articles of amendment, instruments and deeds and do such further acts and things and obtain such approvals as may be deemed necessary or desirable to give effect to the foregoing."

Management of the Corporation and the Board of Directors unanimously recommend that Shareholders vote in favour of the Name Change Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Name Change Resolution.

To be effective, this special resolution must be approved by not less than two-thirds (66⅔%) of the votes cast by the Shareholders present in person or represented by proxy and entitled to vote at the Meeting.

Stock Option Plan

The Corporation is required to obtain the approval of its Shareholders to any stock option plan that is a "rolling" plan yearly at the Corporation's annual meeting of Shareholders. Accordingly, at the Meeting, Shareholders will be asked to approve the following ordinary resolution approving the Stock Option Plan:

"BE IT RESOLVED THAT:

1. the current stock option plan of Yukoterre Resources Inc. (the “**Corporation**”), as described in the management information circular of the Corporation dated December 22, 2020 is hereby approved; and
2. any director or officer of the Corporation is hereby authorized to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the true intent of these resolutions.”

Management of the Corporation and the Board of Directors unanimously recommend that Shareholders vote in favour of resolutions approving the Stock Option Plan. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the resolutions approving the Stock Option Plan.

Appointment of Auditors

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of McGovern Hurley LLP of Toronto, Ontario as auditors of the Corporation until the close of the next annual meeting of shareholders of the Corporation and to authorize the directors to fix their remuneration. McGovern Hurley LLP have been the auditors for the Corporation since February 15, 2019.

Management of the Corporation and the Board of Directors unanimously recommend that Shareholders vote in favour for the appointment of McGovern Hurley LLP and the authorization of the Board of Directors to fix their remuneration. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the appointment of McGovern Hurley LLP and the authorization of the Board of Directors to fix their remuneration Consolidation.

Dissent Rights

If the Amalgamation Resolution is withdrawn by the Corporation then there will be no basis for an action pursuant to Section 185 of the Business Corporations Act (Ontario) (the “OBCA”) or any other legislation and the dissenting Shareholders (the “Dissenting Holders”) will not be entitled to be paid the fair value of the Common Shares.

In many cases, Common Shares beneficially owned by a non-registered holder are registered either: (i) in the name of an intermediary, or (ii) in the name of a clearing agency (such as CDS), of which the intermediary is a participant.

Accordingly, a non-registered holder will not be entitled to exercise its dissent rights in accordance with the OBCA directly (unless the Common Shares are re-registered in the non-registered holder’s name). A non-registered holder who wishes to exercise dissent rights should immediately contact the intermediary with whom the non-registered holder deals in respect of its Common Shares and either: (i) instruct the intermediary to exercise the dissent rights on the non-registered holder’s behalf (which, if the Common Shares are registered in the name of CDS or other clearing agency, may require that such Common Shares first be re-registered in the name of the intermediary), or (ii) instruct the intermediary to re-register such Common Shares in the name of the non-registered holder, in which case the non-registered holder would be able to exercise the dissent rights directly.

The following is a brief summary of Section 185 of the OBCA, the full text of which is attached as Schedule “C” to this Circular.

A Dissenting Holder is required to send to the Corporation a written objection to the Amalgamation and the Yukoterre Spin-Out at or prior to the Meeting. Objections received after that time will have

no effect. The execution or exercise of a proxy, or a vote against the Amalgamation Resolution or any abstention there from, does not constitute a written objection. Within 10 days after the Amalgamation Resolution (more specifically, with respect to the dissent rights under the OBCA, the Yukoterre Spin-Out and the Amalgamation) is adopted by the holders of Common Shares, the Corporation must so notify the Dissenting Holder who is then required, within 20 days after the receipt of such notice, or if the Dissenting Holder does not receive such notice, within 20 days after the Dissenting Holder learns of the adoption of the Amalgamation Resolution, to send to the Corporation a written notice containing the Dissenting Holder's name and address, the number of Common Shares in respect of which the Dissenting Holder dissents and a demand for payment of the fair value of such Common Shares.

The Dissenting Holder must then, within 30 days after sending such written notice, send to the Corporation the certificate(s) representing the Common Shares in respect of which the Dissenting Holder is exercising his or her right of dissent. If the Amalgamation and the Yukoterre Spin-Out becomes effective, the Corporation is required to determine the fair value of the Common Shares in respect of which such Dissenting Holder dissents and to make a written offer to pay such amount to the Dissenting Holder. If such offer is not made or not accepted, either party may apply to the court to fix a fair value for the Common Shares of the Dissenting Holder. There is no obligation on the Corporation to make such an application to the court. If an application is made by either party, the Dissenting Holder will be entitled to be paid the amount fixed by the court.

Address for Notice

All notices to the Corporation pursuant to Section 185 of the OBCA should be sent to its registered office at 65 Queen Street West, Suite 900, Toronto, Ontario M5H 2M5, Attention: President.

Strict Compliance with Dissent Provisions Required

The foregoing summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Holder who seeks payment of the fair value of his or her shares. The aforementioned sections of the OBCA require strict adherence to the procedures established therein and failure to do so may result in the loss of all of the Dissenting Holder's rights.

EXECUTIVE COMPENSATION DISCLOSURE

Oversight and Description of Director and Named Executive Officer Compensation

Named Executive Officers:

For the financial year ended October 31, 2019, the objectives of Yukoterre's compensation strategy was to ensure that compensation for its Named Executive Officers (as defined below) is sufficiently attractive to recruit, retain and motivate high performing individuals to assist Yukoterre in achieving its goals, that include, but are not limited to, identifying and successfully acquiring a new project or business venture for the Corporation.

The process for determining executive compensation is relatively informal, in view of the size and early stage of the Corporation and its operations. Executive officers are involved in the process and make recommendations to the Board of Directors, which considers for approval the discretionary components (e.g. cash bonuses) of the annual compensation of senior management (other than the Chief Executive Officer). Except as otherwise described below, the Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board of Directors may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

Compensation for the Named Executive Officers is composed primarily of three components: base fees, performance bonuses and stock based compensation. In establishing the levels of base fees, performance bonuses and the award of stock options, the Corporation takes into consideration a variety of factors, including the financial and operating performance of the Corporation, and each Named Executive Officer's individual performance and contribution towards meeting corporate objectives, responsibilities and length of service.

Salary

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain Named Executive Officers provide their services in similar capacities to other reporting issuers, in addition to Yukoterre. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective Named Executive Officer and the Corporation and is therefore heavily discretionary.

Bonus

Yukoterre's cash bonus awards are designed to reward an executive for the direct contribution that he or she has made to the Corporation. Named Executive Officers are entitled to receive discretionary bonuses from time to time as determined or approved by the Board of Directors or the Chief Executive Officer, as applicable. The Corporation does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Corporation uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation. Precise goals or milestones are not pre-set by the Board of Directors. There were no bonuses considered or paid to the Named Executive Officers during the financial year ended October 31, 2019.

Stock Option Grants

Options are granted pursuant to the Corporation's Stock Option Plan (as defined herein) and in accordance with the rules of the CSE. The Stock Option Plan is administered by the Board of Directors, which has authority to amend the Stock Option Plan and the terms of the outstanding options, subject to applicable regulatory and shareholder approvals and provided that no amendment may materially impair the rights of existing option holders in respect of options outstanding prior to the amendment.

Directors:

Compensation of directors in the financial period ended October 31, 2019 was determined on a case-by-case basis with reference to the role that each director provides to the Corporation. The following information details compensation paid in the recently completed financial year. Directors may receive cash bonuses from time to time, which the Corporation awards to directors for serving in their capacity as a member of the Board of Directors. In addition, directors are entitled to participate in the Stock Option Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation.

Table of Compensation Excluding Compensation Securities

The following table summarizes the compensation paid during the two financial years ended October 31, 2019, and October 31, 2018 in respect of the individuals who were carrying out the role of the Chief Executive Officer of the Corporation ("CEO") and Chief Financial Officer of the

Corporation (“CFO”) and each of the three most highly compensated executive officers other than the CEO and CFO at the end of the most recently completed financial year whose total compensation was individually more than \$150,000 for that financial year and any other individual that earned more than \$150,000 in the most recently completed financial year who is neither an executive officer of the Corporation nor acting in a similar capacity (the “NEOs” or “Named Executive Officers”). No executive officer received compensation of \$150,000 or more in the year ended October 31, 2019. The table below also includes compensation paid to directors of the Corporation for the financial years ended October 31, 2019, and October 31, 2018.

Table of Compensation Excluding Compensation Securities

Name and principal position	Year Ended	Salary, Consulting Fees, or Commission (\$) ⁽¹⁾	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total compensation (\$)
Kenny Choi, Chief Executive Officer ⁽²⁾	2019	3,500	NIL	NIL	NIL	NIL	3,500
	2018	N/A	N/A	N/A	N/A	N/A	N/A
Deborah Battiston, Chief Financial Officer	2019	1,800	NIL	NIL	NIL	NIL	1,800
	2018	NIL	NIL	NIL	NIL	NIL	NIL
Fred Leigh, Director	2019	NIL	NIL	NIL	NIL	NIL	NIL
	2018	NIL	NIL	NIL	NIL	NIL	NIL
Maurice Colson, Director	2019	NIL	NIL	NIL	NIL	NIL	NIL
	2018	NIL	NIL	NIL	NIL	NIL	NIL
Dr. Andreas Rompel, Director	2019	NIL	NIL	NIL	NIL	NIL	NIL
	2018	NIL	NIL	NIL	NIL	NIL	NIL
Rene Bharti, Former Chief Executive Officer and Director ⁽²⁾	2019	NIL	NIL	NIL	NIL	NIL	NIL
	2018	NIL	NIL	NIL	NIL	NIL	NIL

Notes:

- (1) Compensation has been paid as consulting fees under the independent contractor agreement with the Named Executive Officer as described under the heading “Executive Compensation – Termination of Employment, Change in Responsibilities and Employment Contracts” of this Circular.
- (2) Kenny Choi was appointed as the Chief Executive Officer of the Corporation on May 8, 2020 following the resignation of Rene Bharti.

Stock Options and Other Compensation Securities

The following table provides information regarding the compensation securities granted or issued to each NEO and director of the Corporation during the year ended October 31, 2019.

Compensation Securities

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Kenny Choi, Chief Executive Officer ⁽⁴⁾	Stock Options ⁽¹⁾	325,000 ⁽²⁾	September 25, 2019	0.10	N/A ⁽³⁾	0.09	Sept 25, 2024
Deborah Battiston, Chief Financial Officer	Stock Options ⁽¹⁾	110,000 ⁽²⁾	September 25, 2019	0.10	N/A ⁽³⁾	0.09	Sept 25, 2024
Fred Leigh, Director	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Maurice Colson, Director	Stock Options ⁽¹⁾	85,000 ⁽²⁾	September 25, 2019	0.10	N/A ⁽³⁾	0.09	Sept 25, 2024
Dr. Andreas Rompel, Director	Stock Options ⁽¹⁾	85,000 ⁽²⁾	September 25, 2019	0.10	N/A ⁽³⁾	0.09	Sept 25, 2024
Rene Bharti, Former Chief Executive Officer and Director ⁽⁴⁾	Stock Options ⁽¹⁾	85,000 ⁽²⁾	September 25, 2019	0.10	N/A ⁽³⁾	0.09	Sept 25, 2024

Notes:

- (1) Granted pursuant to the provisions of the Corporation's Stock Option Plan as further described herein in the section entitled "Stock Option Plan."
- (2) These stock options vested immediately.
- (3) The Common Shares began trading on the CSE on September 25, 2019.
- (4) Kenny Choi was appointed as the Chief Executive Officer of the Corporation on May 8, 2020 following the resignation of Rene Bharti. Mr. Bharti's stock options expired unexercised upon his departure.

Compensation Securities Exercised

No compensation securities were exercised by NEOs or directors during the year ended October 31, 2019.

Stock Option Plan

The Corporation believes that weighting compensation to options better aligns the interests of management with the interests of shareholders and is consistent with the Corporation's growth strategy.

Accordingly, the Corporation has adopted a stock option plan (the "**Stock Option Plan**"). A copy of the Stock Option Plan is attached hereto as Schedule "A". The following is a summary of the terms of the Stock Option Plan, which is qualified in its entirety by the provisions of the Stock Option Plan.

Pursuant to the Stock Option Plan, the Corporation may grant up to that number of stock options that equals 10% of the number of issued and outstanding Common Shares at the time of the stock option grant, from time to time. This percentage is consistent with the historically approved stock option plans of the Corporation and the Corporation believes that it is competitive with industry peers. As of the Record Date, there was an aggregate of 965,000 stock options outstanding under the Corporation's existing Stock Option Plan, which represents approximately 9.2% of the outstanding Common Shares. The Stock Option Plan provides that the Corporation cannot grant stock options to any one person representing more than 5% of the outstanding Common Shares.

Under the Stock Option Plan, stock options may be granted to employees, officers and certain consultants of the Corporation and designated affiliates. The Stock Option Plan is designed to advance the interests of the Corporation by encouraging employees, directors, officers and eligible consultants to have equity participation in the Corporation through the acquisition of Common Shares. In determining the terms of each grant of stock options, consideration is given to the participant's present and potential contribution to the success of the Corporation.

The terms and conditions of each option granted under the Stock Option Plan will be determined by the Board of Directors. Options will be priced in the context of the market and in compliance with applicable securities laws and stock exchange guidelines. Consequently, the exercise price for any stock option shall not be lower than the market price of the underlying Common Shares at the time of grant. Vesting terms will be determined at the discretion of the Board of Directors. The Board of Directors shall also determine the term of stock options granted under the Stock Option Plan, provided that no stock option shall be outstanding for a period greater than five years.

The Stock Option Plan provides for amendment procedures that specify the kind of amendments to the Stock Option Plan that will require shareholder approval. The Board of Directors believes that except for certain material changes to the Stock Option Plan it is important that the Board of Directors has the flexibility to make changes to the Stock Option Plan without shareholder approval. Such amendments could include making appropriate adjustments to outstanding options in the event of certain corporate transactions, the addition of provisions requiring forfeiture of options in certain circumstances, specifying practices with respect to applicable tax withholdings and changes to enhance clarity or correct ambiguous provisions.

Upon the termination of an optionholder's engagement with the Corporation, the cancellation or early vesting of any stock option shall be in the discretion of the Board of Directors. In general, the Corporation expects that stock options will be cancelled 90 days following an optionholder's termination from the Corporation. Stock options granted under the Stock Option Plan shall not be assignable.

The Corporation will not provide financial assistance to any optionholder to facilitate the exercise of options under the Stock Option Plan.

Employment, Consulting and Management Agreements

During the year ended October 31, 2019, the Corporation had a consulting agreement with Mr. Choi and Ms. Battiston, as further described below.

Kenny Choi Professional Corporation

Kenny Choi Professional Corporation entered into an agreement with the Corporation on October 1, 2019 for the services of Mr. Kenny Choi as Corporate Secretary of the Corporation. Pursuant to the agreement, Mr. Choi receives a base fee of C\$3,500 per month. This agreement provides for a severance payment of 24 months' base fees on termination by the Corporation without cause. The agreement may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any fees. Just cause is defined to include, but is not limited to: (i) dishonesty or fraud; (ii) theft; (iii) breach of fiduciary duties; (iv) being guilty of bribery or attempted bribery; or (v) gross mismanagement.

In the event that there is a change in control of the Corporation, either Mr. Choi or the Corporation shall have one year from the date of such change in control to elect to have this agreement terminated. In the event that such an election is made, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Choi that is equivalent to 36 months' base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Choi in the 24 months' prior to the change in control. Following a change in control, all options granted to Mr. Choi shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Choi, but not yet vested, shall vest immediately.

Jadan Consulting Corporation

Jadan Consulting Corporation entered into an agreement with the Corporation on October 1, 2019 for the services of Ms. Deborah Battiston as Chief Financial Officer of the Corporation. Pursuant to the agreement, Ms. Battiston receives a base fee of C\$1,800 per month. This agreement provides for a severance payment of 24 months' base fees on termination by the Corporation without cause. The agreement may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any fees. Just cause is defined to include, but is not limited to: (i) dishonesty or fraud; (ii) theft; (iii) breach of fiduciary duties; (iv) being guilty of bribery or attempted bribery; or (v) gross mismanagement.

In the event that there is a change in control of the Corporation, either Ms. Battiston or the Corporation shall have one year from the date of such change in control to elect to have this agreement terminated. In the event that such an election is made, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Ms. Battiston that is equivalent to 36 months' base fees plus an amount that is equivalent to all cash bonuses paid to Ms. Battiston in the 24 months' prior to the change in control. Following a change in control, all options granted to Ms. Battiston shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Ms. Battiston, but not yet vested, shall vest immediately.

"change in control" in the agreements reference above is defined as:

(1) the acquisition, directly or indirectly, by any person (person being defined as an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the Canada Business Corporations Act) or group of persons acting jointly or in concert, as such terms are defined in the *Securities Act* (Ontario) of: (A) shares or rights or options to acquire shares of the Corporation or securities which are convertible into shares of the Corporation or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast at a meeting of the shareholders of the Corporation; (B) shares or rights or options to acquire shares, or their equivalent, of any material

subsidiary of the Corporation or securities which are convertible into shares of the material subsidiary or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast a meeting of the shareholders of the material subsidiary; or (C) other than in the ordinary course of business of the Corporation, more than 25% of the material assets of the Corporation, including the acquisition of more than 25% of the material assets of any material subsidiary of the Corporation; or

(2) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Corporation or any of its Affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Corporation for election to the Corporation's board of directors do not constitute a majority of the Corporation's board of directors.

Estimated Total Payment Owing to the NEOs on a Change in Control or Termination

The following table provides details regarding the estimated total payment owing from the Corporation to each of Kenny Choi and Deborah Battiston in the event of a change of control or on termination without cause, assuming a triggering event occurred on October 31, 2019.

In the event the Transaction is consummated, it will result in a deemed Change of Control and trigger the termination payments set forth below.

Named Executive Officer	Termination not for Cause (\$)	Termination on a Change of Control (\$)
Kenny Choi	84,000	126,000
Deborah Battiston	43,200	64,800

Securities Authorized for Issuance Under Equity Compensation Plans

The table below sets out the outstanding options under the Stock Option Plan, being the Corporation's only compensation plan under which Common Shares are authorized for issuance, as of the Record Date.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	965,000	\$0.10	87,054
Equity compensation plans not approved by security holders	N/A	N/A	N/A
TOTAL	965,000	\$0.10	87,054

Indebtedness of Directors and Executive Officers

As at the date of this Circular and during the financial year ended December 31, 2019, no director or executive officer or employee of the Corporation, former director or executive officer or employee or the Corporation or Nominee, as defined below, (and each of their associates and/or affiliates)

was indebted, including under any securities purchase or other program, to (i) the Corporation or its subsidiaries, or (ii) any other entity which is, or was at any time during the financial year ended October 31, 2019, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

Directors' and Officers' Insurance and Indemnification

The Corporation maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. The Corporation has purchased in respect of directors and officers an aggregate of \$1,000,000 in coverage. The approximate amount of premiums paid by the Corporation in 2020 in respect of such insurance was \$3,000.

Interest of Informed Persons in Material Transactions

No informed person (as such term is defined under applicable securities laws) of the Corporation or Nominee (and each of their associates or affiliates) has had any direct or indirect material interest in any transaction involving the Corporation since January 1, 2019 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries.

CORPORATE GOVERNANCE POLICIES

The Corporation and the Board of Directors recognize the importance of corporate governance to the effective management of the Corporation and to the protection of its stakeholders, particularly Shareholders. The Corporation's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Corporation are effectively managed so as to enhance shareholder value. The Board of Directors fulfills its mandate directly and through its committees at regularly scheduled meetings or as required. The directors are kept informed of the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements. The Corporation has considered the applicable requirements and believes that its approach is appropriate and works effectively for the Corporation and its shareholders.

Board of Directors

Pursuant to National Instrument 58-101, a director is independent if the director has no direct or indirect relationship with the issuer that could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Corporation. The Board of Directors is currently comprised of three members and both Mr. Colson and Mr. Rompel have been determined to be independent of the Corporation. Mr. Leigh is a promoter of the Corporation and is therefore not considered independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

Other Public Corporation Directorships

Name	Directorships and or Officer Positions with Other Reporting Issuers
Fred Leigh	Routemaster Capital Inc.
Maurice Colson	China Goldcorp Ltd. Delrand Resources Limited

	Loncor Resources Inc. Magnolia Colombia Ltd. Aberdeen International Inc
Dr. Andreas Rompel	Jourdan Resources Inc.

Orientation and Continuing Education

The Board of Directors will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board of Directors and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board of Directors recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board of Directors notes that it has benefited from the experience and knowledge of individual members of the Board of Directors in respect of the evolving governance regime and principles. The Board of Directors ensures that all directors are apprised of changes in the Corporation's operations and business.

Ethical Business Conduct

The Board of Directors is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board of Directors had not adopted a written code of business conduct and ethics, however, the Board of Directors encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct. In particular, the Board of Directors ensure that directors exercise independent judgement in considering transactions and certain activities of the Corporation by holding in camera sessions of independent directors, when applicable, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, where applicable.

Nomination of Directors

The Board of Directors is largely responsible for identifying new candidates for nomination to the Board of Directors. The process by which candidates are identified is through recommendations presented to the Board of Directors, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Corporation.

Compensation

The Board of Directors is responsible for determining the compensation of the directors and Chief Executive Officer of the Corporation. The process for determining executive compensation is relatively informal, in view of the size and early stage of the Corporation and its operations. The Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. The Board of Directors may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

The Board of Directors reviews and discusses proposals received by the Chief Executive Officer of the Corporation regarding the compensation of management and the directors.

Board Assessments

The Board of Directors and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board of Directors encourages discussion amongst the Board of Directors as to evaluation of the effectiveness of the Board of Directors as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board of Directors at any time and are encouraged to do so.

Audit Committee

The purposes of the Audit Committee are to assist the Board of Directors' oversight of: the integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the qualifications and independence of the Corporation's independent auditors; and the performance of the independent auditors and the Corporation's internal audit function.

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (the “**Instrument**”) governs the composition and function of audit committees of every listed company, including the Corporation. The Instrument requires the Corporation to have a written audit committee Charter and to make the disclosure required by Form 52-110F2, which includes disclosure of the text of the audit committee charter in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board.

Please see Schedule “B” for the Audit Committee Charter.

Composition of the Audit Committee

The Corporation's audit committee is currently comprised of three directors: Messrs. Leigh, Colson and Rompel. Each member of the audit committee is financially literate and each of Messrs. Colson and Rompel are independent, as such term is defined in the Instrument.

It is anticipated that the composition of the Audit Committee, and other committees of the Board of Directors, will be reconstituted upon the successful completion of the Transaction.

Relevant Education and Experience

Mr. Leigh has been involved in the junior resource sector for more than 27 years and has had a significant role as founder, director and/or investor in many public companies. He is also the founder and President of Siwash Holdings Ltd. (“**Siwash**”), a privately held company which, for over 18 years has invested in early stage opportunities in the resource sector. Siwash was an early investor in successful companies such as Wheaton River Minerals, Hathor Exploration and Blue Pearl Mining. Mr. Leigh is also currently a director of Routemaster Capital.

Dr. Rompel is an exploration professional with three decades of exploration and mining experience in a wide range of roles from VP Exploration and Project Manager to Country Manager and Corporate Development. Dr. Rompel has worked in a variety of commodities, including precious metals and base metals as well as energy metals - cobalt. For more than a decade Dr. Rompel evaluated capital projects within Anglo American and was on the board of Spectrem (an Anglo-American Company) as Technical Director. Dr. Rompel was formerly the President & CEO of Cobalt Power Group Inc. and is currently president and director of Jourdan Resources Inc. Dr. Rompel is a fellow of the South African Institute of Mining and Metallurgy and a member of the Council for Geosciences of South Africa.

Mr. Colson has worked in the investment industry for more than 35 years and was for many years managing director for a major Canadian investment dealer in the United Kingdom. He is involved in providing strategic counsel and assistance with financing to emerging private and public companies in Canada and to Canadian companies operating internationally. He sits on the board of directors of several TSX and TSX Venture listed companies and is the former President and CEO of Lithium One Resources. Mr. Colson holds a Masters of Business Administration degree from McGill University.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has there been a recommendation of the audit committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on either (a) an exemption in section 2.4 of the Instrument; or (b) an exemption from the Instrument, in whole or in part, granted under Part 8 (*Exemptions*) of the Instrument. As the Corporation is listed on the CSE, it is relying on the exemption provided in section 6.1 of the Instrument with respect to Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations).

Pre-Approval Policies and Procedures

The audit committee of the Corporation has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

Audit Fees

The Corporation's external auditors, McGovern Hurley LLP, billed the Corporation \$18,000 in the fiscal year ending October 31, 2019 and \$13,500 in the fiscal year ended October 31, 2018, for audit fees.

Audit-Related Fees

The Corporation's external auditors, McGovern Hurley LLP, billed the Corporation \$nil in the fiscal year ending October 31, 2019 and \$nil in the fiscal year ended October 31, 2018 for assurance and related services related to the performance of the audit or review of the Corporation's financial statements, which are not included in audit fees.

Tax Fees

The Corporation's external auditors, McGovern Hurley LLP, billed the Corporation \$1,500 in the fiscal year ending October 31, 2019 and \$1,500 in the fiscal year ended October 31, 2018 for tax compliance, tax advice and tax planning.

All Other Fees

The Corporation's external auditors charged for other fees \$nil for the fiscal year ended October 31, 2019 and \$nil for the fiscal year ended October 31, 2018.

Additional Information

Additional information relating to the Corporation may be found under the profile of the Corporation on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's audited financial statements and related management's discussion and analysis for the financial year ended October 31, 2019, which can be found under the profile of the Corporation on SEDAR. Shareholders may also request these documents from legal counsel of the Corporation by email at kenny.choi@fmresources.ca or by telephone at (416) 861-2262.

Board of Directors Approval

The contents of this Circular and the sending thereof to the Shareholders of the Corporation have been unanimously approved by the Board of Directors.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Kenny Choi"

Chief Executive Officer

Toronto, Ontario
December 22, 2020

SCHEDULE "A"

Yukoterre Resources Inc.

(the "Company")

INCENTIVE STOCK OPTION PLAN

ARTICLE I INTRODUCTION

1.1 Purpose of Plan

The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentives inherent in the share ownership by the directors, senior officers, key employees and consultants of the Company and its Subsidiaries who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that a stock option plan of the nature provided for herein aids in retaining and encouraging employees and directors of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

1.2 Definitions

- (a) "Associate" has the meaning ascribed thereto in the Securities Act.
- (b) "Board" means the board of directors of the Company, or any committee of the board of directors to which the duties of the board of directors hereunder are delegated.
- (c) "Company" means Yukoterre Resources Inc., a company duly incorporated under the laws of Ontario.
- (d) "Consultant" means a person providing consulting services to the Company or any of its Subsidiaries.
- (e) "Consultant Company" means for an individual Consultant, a company or partnership of which the individual is an employee, shareholder or partner.
- (f) "Director" means a director of the Company or any of its Subsidiaries.
- (g) "Eligible Person" means any employee, Director, senior Officer or Consultant of the Company or any of its Subsidiaries.
- (h) "Exchange" means the Canadian Securities Exchange or any other stock exchange on which the Shares are listed.
- (i) "Insider" of the Company shall mean a Participant who is an "insider" of the Company that is subject to insider reporting requirements pursuant to National Instrument 55-101 – Insider Reporting Exemptions.
- (j) "Option" shall mean an option granted under the terms of the Plan.
- (k) "Option Commitment" means the notice of grant of an Option delivered by the Company hereunder to an Optionee and substantially in the form of Exhibit A hereto.
- (l) "Option Period" shall mean the period during which an Option may be exercised.
- (m) "Optionee" shall mean a Participant to whom an Option has been granted under the terms of the Plan.

- (n) "Participant" means, in respect of the Plan, an Optionee who elects to participate in the Plan.
- (o) "Plan" means this Incentive Stock Option Plan established and operated pursuant to Article II hereof.
- (p) "Securities Act" means the *Securities Act* (Ontario) as amended from time to time.
- (q) "Share Compensation Arrangement" means the Plan described herein and any other security based compensation arrangements implemented by the Company including stock options, other stock option plans, employee stock purchase plans, share distribution plans, stock appreciation rights, restricted share unit plans or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares of the Company.
- (r) "Shares" shall mean the common shares of the Company.
- (s) "Subsidiary" has the meaning ascribed thereto in the Securities Act.

ARTICLE II STOCK OPTION PLAN

2.1 Participation

Options to purchase Shares may be granted hereunder to Eligible Persons.

2.2 Determination of Option Recipients

The Board shall make all necessary or desirable determinations regarding the granting of Options to Eligible Persons and may take into consideration the present and potential contributions of a particular Eligible Person to the success of the Company and any other factors which it may deem proper and relevant.

2.3 Exercise Price

The exercise price per Share shall be determined by the Board at the time the Option is granted, but, in the event that the Shares are traded on an Exchange, the exercise price shall not be less than the closing price of the Shares on the Exchange on the trading day immediately preceding the date of the grant of the Option.

2.4 Grant of Options

The Board may at any time authorize the granting of Options to such Eligible Persons as it may select for the number of Shares that it shall designate, subject to the provisions of the Plan. A director of the Company to whom an Option may be granted shall not participate in the decision of the Board to grant such Option. The date of each grant of Options shall be determined by the Board when the grant is authorized.

2.5 Option Commitment

Each Option granted to an Optionee shall be evidenced by an Option Commitment detailing the terms of the Option and upon delivery of the Option Commitment to the Optionee by the Company the Optionee shall have the right to purchase the Shares underlying the Option at the exercise price set out therein, subject to any provisions as to the vesting of the Option.

2.6 Terms of Options

The periods within which Options may be exercised and the number of Shares which may be issuable upon the exercise of Options in any such period shall be determined by the Board at the time of granting the Options provided, however, that all Options must be exercisable during a period not extending beyond five years from the date of the Option grant.

Notwithstanding the foregoing, in the event that the expiry of an Option Period falls within, or within two (2) days of, a trading blackout period imposed by the Company (the "**Blackout Period**"), the expiry date of such Option Period shall be automatically extended to the 10th business day following the end of the Blackout Period.

2.7 Exercise of Option

Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Company of a written notice of exercise specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the exercise price of the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

2.8 Vesting

Options granted pursuant to the Plan shall vest and become exercisable by an Optionee at such time or times as may be determined by the Board.

2.9 Lapsed Options

If Options are surrendered, terminated or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options.

2.10 Death of Optionee

If an Optionee ceases to be an Eligible Person due to death, any Option held by it at the date of death shall be exercisable by the Optionee's legal heirs or personal representatives. All such Options shall be exercisable only to the extent that the Optionee was entitled to exercise the Option at the date of death and only for 12 months after the date of death or prior to the expiration of the Option Period in respect thereof, whichever is sooner, subject to the Board determining otherwise.

2.11 Termination of Employment

If an Optionee ceases to be an Eligible Person, other than as a result of termination with cause, or ceases to act as a Director, any Option held by such Optionee at the effective date thereof shall be exercisable only to the extent that the Optionee is entitled to exercise the Option and only for 90 days thereafter (or such longer period as may be prescribed by law) or prior to the expiration of the Option Period in respect thereof, whichever is sooner, subject to the Board determining otherwise. In the case of an Optionee being dismissed from employment or service for cause, the Option shall immediately terminate and shall no longer be exercisable as of the date of such dismissal.

2.12 Effect of Take-Over Bid

If a bona fide offer (the "**Offer**") for Shares is made to the Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror exercising control over the Company within the meaning of the Securities Act, then the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of the full particulars of the Offer. The Board will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule so that notwithstanding the other terms of this Plan, such Option may be exercised in

whole or in part by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the "**Optioned Shares**") pursuant to the Offer. If:

- (a) the Offer is not complied with within the time specified therein;
- (b) the Optionee does not tender the Optioned Shares pursuant to the Offer; or
- (c) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror in respect thereof;

then at the discretion of the Board, the Optioned Shares or, in the case of clause (c) above, the Optioned Shares that are not taken up and paid for, shall be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and the terms of the Option as set forth in this Plan and the Option Commitment shall again apply to the Option. If any Optioned Shares are returned to the Company under this Section, the Company shall refund the exercise price to the Optionee for such Optioned Shares.

2.13 Effect of Reorganization, Amalgamation, Merger. etc.

If there is a consolidation, reorganization, merger, amalgamation or statutory amalgamation or arrangement of the Company with or into another corporation, a separation of the business of the Company into two or more entities or a transfer of all or substantially all of the assets of the Company to another entity, the Board will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule so that notwithstanding the other terms of this Plan, such Option may be exercised in whole or in part by the Optionee and at the discretion of the Board, upon the exercise of an Option under the Plan, the holder thereof shall be entitled to receive any securities, property or cash which the Optionee would have received upon such consolidation, reorganization, merger, amalgamation, statutory amalgamation or arrangement, separation or transfer if the Optionee had exercised his Option immediately prior to the applicable record date or event, as applicable, and the exercise price shall be adjusted as applicable by the Board, unless the Board otherwise determines the basis upon which such Option shall be exercisable, and any such adjustments shall be binding for all purposes of the Plan.

2.14 Adjustment in Shares Subject to the Plan

If there is any change in the Shares through or by means of a declaration of stock dividends of Shares or consolidations, subdivisions or reclassifications of Shares, or otherwise, the number of Shares subject to any Option, and the exercise price thereof and the maximum number of Shares which may be issued under the Plan in accordance with Section 3.1 (a) shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes of the Plan. An adjustment under Section 2.13 or 2.14 (the "**Adjustment Provisions**") will take effect at the time of the event giving rise to the adjustment, and the Adjustment Provisions are cumulative. The Company will not be required to issue fractional Shares in satisfaction of its obligations hereunder. Any fractional interest in a Share that would, except for this provision, be deliverable upon the exercise of an Option will be cancelled and not be deliverable by the Company. If any questions arise at any time with respect to the exercise price or number of Shares deliverable upon exercise of an Option in connection with any of the events set out in Sections 2.12, 2.13 or 2.14, such questions will be conclusively determined by the Company's auditors, or, if they decline to so act, any other firm of Chartered Accountants that the Company may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

**ARTICLE III
GENERAL**

3.1 Maximum Number of Shares

- (a) The aggregate number of Shares reserved for issuance pursuant to this Plan to all Participants shall not exceed 10% of the issued and outstanding Shares at the time of grant.

- (b) The aggregate number of Shares reserved for issuance pursuant to this Plan or any other Share Compensation Arrangement (pre-existing or otherwise) to Insiders shall not exceed 10% of the Shares outstanding from time to time.
- (c) The aggregate number of Options which may be granted pursuant to this Plan or any other Share Compensation Arrangement (pre-existing or otherwise) to Insiders within a one-year period shall not exceed 10% of the Shares outstanding from time to time.

3.2 Transferability

Options are not assignable or transferable other than by will or by the applicable laws of descent. During the lifetime of an Optionee, all Options may only be exercised by the Optionee.

3.3 Employment

Nothing contained in the Plan shall confer upon any Optionee any right with respect to employment or continuance of employment with the Company or any Subsidiary, or interfere in any way with the right of the Company or any Subsidiary, to terminate the Optionee's employment at any time. Participation in the Plan by an Optionee is voluntary.

3.4 No Shareholder Rights

An Optionee shall not have any rights as a shareholder of the Company with respect to any of the Shares covered by an Option until the Optionee exercises such Option in accordance with the terms of the Plan and the issuance of the Shares by the Company.

3.5 Record Keeping

The Company shall maintain a register in which shall be recorded the name and address of each Optionee, the number of Options granted to an Optionee, the details thereof and the number of Options outstanding.

3.6 Necessary Approvals

The Plan shall be effective only upon the approval of both the Board and the shareholders of the Company by ordinary resolution. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of any governmental authority having jurisdiction or any stock exchanges on which the Shares are listed for trading which may be required in connection with the authorization, issuance or sale of such Shares by the Company. If any Shares cannot be issued to any Optionee for any reason including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any exercise price paid by an Optionee to the Company shall be returned to the Optionee.

3.7 Administration of the Plan

The Board is authorized to interpret the Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Board shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

3.8 Income Taxes

As a condition of and prior to participation in the Plan, a Participant shall authorize the Company in written form to withhold from any remuneration otherwise payable to such Participant any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such participation in the Plan.

3.9 Amendment, Modification or Termination of Plan

Subject to the requisite shareholder and regulatory approvals set forth under subparagraphs 3.9(a) and (b) below, the Board may, from time to time, amend or revise the terms of the Plan or may discontinue the Plan at any time provided however that no such right may, without the consent of the Optionee, in any manner adversely affect his rights under any Option theretofore granted under the Plan.

(a) The Board may, subject to receipt of requisite shareholder and regulatory approval, make the following amendments to the Plan:

(i) any amendment to the number of securities issuable under the Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by shareholders will not require additional shareholder approval;

(ii) any change to the definition of "Participants" which would have the potential of narrowing or broadening or increasing insider participation;

(iii) the addition of any form of financial assistance;

(iv) any amendment to a financial assistance provision which is more favourable to Participants;

(v) any addition of a cashless exercise feature, payable in cash or securities, which does not provide for a full deduction in the number of underlying securities from the Plan;

(vi) the addition of deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Company; and

(vii) any other amendments that may lead to significant or unreasonable dilution in the Company's outstanding securities or may provide additional benefits to Participants, especially to insiders of the Company, at the expense of the Company and its existing shareholders.

(b) The Board may, subject to receipt of requisite regulatory approval, where required, in its sole discretion, make all other amendments to the Plan that are not of the type contemplated in subparagraph 3.9(a) above, including, without limitation:

(i) amendments of a housekeeping nature;

(ii) the addition of or a change to vesting provisions of a security or the Plan;

(iii) a change to the termination provisions of a security or the Plan which does not entail an extension beyond the original expiry date; and

(iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.

(c) Notwithstanding the provisions of subparagraph 3.9(b), the Company shall additionally obtain requisite shareholders approval in respect of amendments to the Plan that are contemplated pursuant to subparagraph 3.9(b) to the extent such approval is required by any applicable law or regulations.

3.10 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

3.11 Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

3.12 Compliance with Applicable Law

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Company or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

Approved by the Board on February 9, 2017

EXHIBIT A

YUKOTEREE RESOURCES INC.

INCENTIVE STOCK OPTION PLAN

OPTION COMMITMENT

Notice is hereby given that, effective this ____ day of _____, 20____ (the "**Effective Date**"), Yukoterree Resources Inc. (the "**Company**") has granted to _____ (the "**Optionee**"), an Option to acquire _____ Common Shares (the "**Shares**") on or prior to 5:00 p.m. (Toronto Time) on the ____ day of _____ (the "**Expiry Date**") at an exercise price of Cdn. \$ _____ per Share.

Shares may be acquired as follows:



The grant of the Option evidenced hereby is made subject to the terms and conditions of the Company's Stock Option Plan (the "**Stock Option Plan**"), the terms and conditions of which are hereby incorporated herein.

To exercise your Option, deliver a written notice specifying the number of Shares you wish to acquire, together with a certified cheque or bank draft payable to the Company for the aggregate exercise price, to the Company. A certificate for the Shares so acquired will be issued by the Company's transfer agent as soon as practicable thereafter.

The undersigned Optionee hereby authorizes the Company to withhold any remuneration payable to the undersigned for the purposes of paying any taxes owing as a result of the undersigned's participation in the Stock Option Plan and hereby further authorizes the Company to remit such amounts owing to the relevant taxation authorities on the undersigned's behalf.

YUKOTEREE RESOURCES INC.

Authorized Signatory

[Name of Optionee]

SCHEDULE "B"

Audit Committee Charter

1. Mandate and Purpose of the Committee

The Audit Committee (the "**Committee**") of the board of directors (the "**Board**") of Yukoterre Resources Inc. (the "**Corporation**") is a standing committee of the Board whose primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

- (a) the integrity of the Corporation's financial statements;
- (b) the Corporation's compliance with legal and regulatory requirements, as they relate to the Corporation's financial statements;
- (c) the qualifications, independence and performance of the Corporation's auditor;
- (d) internal controls and disclosure controls;
- (e) the performance of the Corporation's internal audit function;
- (f) consideration and approval of certain related party transactions; and
- (g) performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Authority

The Committee has the authority to:

- (a) engage and compensate independent counsel and other advisors as it determines necessary or advisable to carry out its duties; and
- (b) communicate directly with the Corporation's auditor.

The Committee has the authority to delegate to individual members or subcommittees of the Committee.

3. Composition and Expertise

The Committee shall be composed of a minimum of three members, each of whom is a director of the Corporation. The majority of the Committee's members must not be officers or employees of the Corporation or an affiliate of the Corporation.

Committee members shall be appointed annually by the Board at the first meeting of the Board following each annual meeting of shareholders. Committee members hold office until the next annual meeting of shareholders or until they are removed by the Board or cease to be directors of the Corporation.

The Board shall appoint one member of the Committee to act as Chairman of the Committee. If the Chairman of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.

4. Meetings

Any member of the Committee or the auditor may call a meeting of the Committee. The Committee shall meet at least four times per year and as many additional times as the Committee deems necessary to carry out its duties. The Chairman shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and senior management.

Notice of the time and place of every meeting shall be given in writing to each member of the Committee, at least 72 hours (excluding holidays) prior to the time fixed for such meeting. The Corporation's auditor shall be given notice of every meeting of the Committee and, at the expense of the Corporation, shall be entitled to attend and be heard thereat. If requested by a member of the Committee, the Corporation's auditor shall attend every meeting of the Committee held during the term of office of the Corporation's auditor.

A majority of the Committee who are not officers or employees of the Corporation or an affiliate of the Corporation shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. Business may also be transacted by the unanimous written consent resolutions of the members of the Committee, which when so approved shall be deemed to be resolutions passed at a duly called and constituted meeting of the Committee.

The Committee may invite such directors, officers and employees of the Corporation and advisors as it sees fit from time to time to attend meetings of the Committee.

The Committee shall meet without management present whenever the Committee deems it appropriate.

The Committee shall appoint a Secretary who need not be a director or officer of the Corporation. Minutes of the meetings of the Committee shall be recorded and maintained by the Secretary and shall be subsequently presented to the Committee for review and approval.

5. Committee and Charter Review

The Committee shall conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter. The Committee shall conduct such review and assessment in such manner as it deems appropriate and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any guidelines recommended by regulators or the Canadian Securities Exchange and shall recommend changes to the Board thereon.

6. Reporting to the Board

The Committee shall report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

7. Duties and Responsibilities

(a) Financial Reporting

The Committee is responsible for reviewing and recommending approval to the Board of the Corporation's annual and interim financial statements, any auditor's report thereon, MD&A and related news releases, before they are published.

The Committee is also responsible for:

- (i) being satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or

- derived from the Corporation's financial statements, other than the public disclosure referred to in the preceding paragraph, and for periodically assessing the adequacy of those procedures;
- (ii) engaging the Corporation's auditor to perform a review of the interim financial statements and receiving from the Corporation's auditor a formal report on the auditor's review of such interim financial statements;
 - (iii) discussing with management and the Corporation's auditor the quality of applicable accounting principles and financial reporting standards, not just the acceptability of thereof;
 - (iv) discussing with management any significant variances between comparative reporting periods; and
 - (v) in the course of discussion with management and the Corporation's auditor, identifying problems or areas of concern and ensuring such matters are satisfactorily resolved.

(b) **Auditor**

The Committee is responsible for recommending to the Board:

- (i) the auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
- (ii) the compensation of the Corporation's auditor.

The Corporation's auditor reports directly to the Committee. The Committee is directly responsible for overseeing the work of the Corporation's auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the Corporation's auditor regarding financial reporting.

(c) **Relationship with the Auditor**

The Committee is responsible for reviewing the proposed audit plan and proposed audit fees. The Committee is also responsible for:

- (i) establishing effective communication processes with management and the Corporation's auditor so that it can objectively monitor the quality and effectiveness of the auditor's relationship with management and the Committee;
- (ii) receiving and reviewing regular feedback from the auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditor's final report;
- (iii) reviewing, at least annually, a report from the auditor on all relationships and engagements for non-audit services that may be reasonably thought to bear on the independence of the auditor; and
- (iv) meeting in camera with the auditor whenever the Committee deems it appropriate.

(d) **Accounting Policies**

The Committee is responsible for:

- (i) reviewing the Corporation's accounting policy note to ensure completeness and acceptability with applicable accounting principles and financial reporting standards as part of the approval of the financial statements;
- (ii) discussing and reviewing the impact of proposed changes in accounting standards or securities policies or regulations;
- (iii) reviewing with management and the auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;
- (iv) discussing with management and the auditor the acceptability, degree of aggressiveness/conservatism and quality of underlying accounting policies and key estimates and judgments; and
- (v) discussing with management and the auditor the clarity and completeness of the Corporation's financial disclosures.

(e) **Risk and Uncertainty**

The Committee is responsible for reviewing, as part of its approval of the financial statements:

- (i) uncertainty notes and disclosures; and
- (ii) MD&A disclosures.

The Committee, in consultation with management, will identify the principal business risks and decide on the Corporation's "appetite" for risk. The Committee is responsible for reviewing related risk management policies and recommending such policies for approval by the Board. The Committee is then responsible for communicating and assigning to the applicable Board committee such policies for implementation and ongoing monitoring.

The Committee is responsible for requesting the auditor's opinion of management's assessment of significant risks facing the Corporation and how effectively they are managed or controlled.

(f) **Controls and Control Deviations**

The Committee is responsible for reviewing:

- (i) the plan and scope of the annual audit with respect to planned reliance and testing of controls; and
- (ii) major points contained in the auditor's management letter resulting from control evaluation and testing.

The Committee is also responsible for receiving reports from management when significant control deviations occur.

(g) **Compliance with Laws and Regulations**

The Committee is responsible for reviewing regular reports from management and others (e.g. auditors) concerning the Corporation's compliance with financial related laws and regulations, such as:

- (i) tax and financial reporting laws and regulations;
- (ii) legal withholdings requirements;
- (iii) environmental protection laws; and
- (iv) other matters for which directors face liability exposure.

(h) **Related Party Transactions**

All transactions between the Corporation and a related party (each a "related party transaction"), other than transactions entered into in the ordinary course of business, shall be presented to the Committee for consideration.

The term "related party" includes (i) all directors, officers, employees, consultants and their associates (as that term is defined in the *Securities Act* (Ontario), as well as all entities with common directors, officers, employees and consultants (each "general related parties"), and (ii) all other individuals and entities having beneficial ownership of, or control or direction over, directly or indirectly securities of the Corporation carrying more than 10% of the voting rights attached to all of the Corporation's outstanding voting securities (each "10% shareholders").

Related party transactions involving general related parties which are not material to the Corporation require review and approval by the Committee. Related party transactions that are material to the Corporation or that involve 10% shareholders require approval by the Board, following review thereof by the Committee and the Committee providing its recommendation thereon to the Board.

8. Non-Audit Services

All non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's auditor must be pre-approved by the Committee.

9. Submission Systems and Treatment of Complaints

The Committee is responsible for establishing procedures for:

- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The Committee is responsible for reviewing complaints and concerns that are brought to the attention of the Chairman of the Audit Committee and for ensuring that any such complaints and concerns are appropriately addressed. The Committee shall report quarterly to the Board on the status of any complaints or concerns received by the Committee.

10. Procedure For Reporting Of Fraud Or Control Weaknesses

Each employee is expected to report situations in which he or she suspects fraud or is aware of any internal control weaknesses. An employee should treat suspected fraud seriously, and ensure that the situation is brought to the attention of the Committee. In addition, weaknesses in the internal control procedures of the Corporation that may result in errors or omissions in financial information, or that create a risk of potential fraud or loss of the Corporation's assets, should be brought to the attention of both management and the Committee.

To facilitate the reporting of suspected fraud, it is the policy of Corporation that the employee (the "whistleblower") has anonymous and direct access to the Chairman of the Audit

Committee. Should a new Chairman be appointed prior to the updating of this document, the current Chairman will ensure that the whistleblower is able to reach the new Chairman in a timely manner. In the event that the Chairman of the Audit Committee cannot be reached, the whistleblower should contact the Chairman of the Board.

In addition, it is the policy of the Corporation that employees concerned about reporting internal control weaknesses directly to management are able to report such weaknesses to the Committee anonymously. In this case, the employee should follow the same procedure detailed above for reporting suspected fraud.

11. Hiring Policies

The Committee is responsible for reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditor of the Corporation.

SCHEDULE "C"

Dissent Rights

SECTION 185 OF THE BUSINESS CORPORATIONS ACT (ONTARIO)

185. (1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

- (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
- (c) amalgamate with another corporation under sections 175 and 176;
- (d) be continued under the laws of another jurisdiction under section 181; or
- (e) sell, lease or exchange all or substantially all its property under subsection 184 (3),

a holder of shares of any class or series entitled to vote on the resolution may dissent. R.S.O. 1990, c. B.16, s. 185 (1).

Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

- (a) clause 170 (1) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
- (b) subsection 170 (5) or (6). R.S.O. 1990, c. B.16, s. 185 (2).

One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares. 2006, c. 34, Sched. B, s. 35.

Exception

(3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
- (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986. R.S.O. 1990, c. B.16, s. 185 (3).

Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted. R.S.O. 1990, c. B.16, s. 185 (4).

No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (5).

Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent. R.S.O. 1990, c. B.16, s. 185 (6).

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6). R.S.O. 1990, c. B.16, s. 185 (7).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection. R.S.O. 1990, c. B.16, s. 185 (8).

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights. R.S.O. 1990, c. B.16, s. 185 (9).

Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares. R.S.O. 1990, c. B.16, s. 185 (10).

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent. R.S.O. 1990, c. B.16, s. 185 (11).

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section. R.S.O. 1990, c. B.16, s. 185 (12).

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (13).

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

- (a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);
- (b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10), and the dissenting shareholder is entitled, upon presentation and surrender to the corporation or its transfer agent of any certificate representing the shares that has been endorsed in accordance with subsection (13), to be issued a new certificate representing the same number of shares as the certificate so presented, without payment of any fee. R.S.O. 1990, c. B.16, s. 185 (14).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

- (a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (15).

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms. R.S.O. 1990, c. B.16, s. 185 (16).

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made. R.S.O. 1990, c. B.16, s. 185 (17).

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (18).

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow. R.S.O. 1990, c. B.16, s. 185 (19).

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19). R.S.O. 1990, c. B.16, s. 185 (20).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders. R.S.O. 1990, c. B.16, s. 185 (21).

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

- (a) has sent to the corporation the notice referred to in subsection (10); and
- (b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each

dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions. R.S.O. 1990, c. B.16, s. 185 (22).

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22)(a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application. R.S.O. 1990, c. B.16, s. 185 (23).

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (24).

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (25).

Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b). R.S.O. 1990, c. B.16, s. 185 (26).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment. R.S.O. 1990, c. B.16, s. 185 (27).

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (28).

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

- (a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders. R.S.O. 1990, c. B.16, s. 185 (29).

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

- (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities. R.S.O. 1990, c. B.16, s. 185 (30).

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the

circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission. 1994, c. 27, s. 71 (24).

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation. 1994, c. 27, s. 71 (24).

SCHEDULE "D"

YUKOTERRE SPIN-OUT PURCHASE AGREEMENT

(Please see attached)

PURCHASE AGREEMENT

DIVISION MOUNTAIN COAL PROPERTY

This Agreement is made as of [____], 2021.

B E T W E E N :

YUKOTERRE RESOURCES INC., a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as "**Yukoterre**")

- and -

[____] **ONTARIO INC.**, a corporation incorporated under the laws of Province of Ontario

(hereinafter referred to as the "**Purchaser**")

WHEREAS Yukoterre is the legal and beneficial owner of a 100% undivided ownership interest in and to (i) the coal exploration licences located in the Yukon Territory more fully described in Schedule "A" attached hereto (the "**Licences**"), (ii) the coal mining leases located in the Yukon Territory more fully described in Schedule "B" attached hereto (the "**Leases**"), and (iii) certain books and records relating to or used in connection with the Licences and Leases;

AND WHEREAS Yukoterre wishes to sell, transfer, assign and convey to the Purchaser, and the Purchaser wishes to purchase and acquire from Yukoterre, all of the right, title and interest of Yukoterre in and to the Purchased Assets (as such term is defined in this Agreement), pursuant to and in accordance with the terms of this Agreement;

NOW THEREFORE IN CONSIDERATION of the premises and the mutual covenants in this Agreement, and of other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each Party), the Parties agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

In this Agreement and the Schedules attached hereto, the following terms shall have the following meanings:

"Agreement" means this purchase agreement and all attached schedules, as supplemented, amended, restated or replaced from time to time in accordance with the terms hereof;

"Applicable Law" means any federal, provincial or municipal statute, law, ordinance, rule, regulation, restriction, regulatory policy or guideline, by-law (zoning or otherwise) or order that applies to the Parties, the Licences or the Leases and includes the applicable by-laws or rules of any stock exchange or securities commission having jurisdiction;

"Approvals" means any and all approvals, authorizations, consents or other orders of any Government Authority or any third party, including any stock exchange or securities commission having jurisdiction;

"Books and Records" means all books and records (whether or not recorded on computer or computer related media) of Yukoterre relating to the Licences and Leases, including, where applicable, all surveys, plans or specifications, technical reports, pre-feasibility studies, feasibility studies, environmental reports, test results, designs, research data, research plans, development plans, processes, formulas, drawings, technology and related manuals, unpatented blueprints, flow sheets documents, technical information and data, maps, drill core samples and assays and maintenance and repair records;

"Business Day" means any calendar day other than a Saturday or Sunday or any day that is a statutory or civic holiday in Toronto, Ontario;

"Closing" means the completion of the sale, transfer, assignment and/or conveyance to and the purchase by the Purchaser of the Purchased Assets from Yukoterre, in accordance with the terms of this Agreement;

"Closing Date" means the second Business Day after all of the conditions of closing have been satisfied or waived, or such other date as the Parties may mutually agree;

"Closing Document" means any document required to be delivered at the Closing Time pursuant to this Agreement which shall include, without limitation, such officers' certificates and instruments of conveyance as may be prescribed by this Agreement or as are customary in transactions of the nature contemplated herein, and such other documents as the Parties may reasonably deem to be necessary or advisable;

"Closing Time" means 10:00 a.m. on the Closing Date, or such other time on that date as the Parties agree in writing that the Closing shall take place;

"Encumbrance" means any encumbrance, security interest, mortgage, lien, hypothec, pledge, assignment, charge, or right, title or interest affecting the Purchased Assets;

"Environmental Liabilities" means any and all actions, demands, claims, debts, costs, liabilities, damages, duties, obligations, penalties, fines and charges of any nature imposed, issued, rendered or arising under or pursuant to provincial, federal and local laws or any present statute, regulation, by-law or other law, or any permit, license, certificate, approval, order, directive or other authorization of any Governmental Authority in respect of or pertaining to the impairment or contamination of the natural environment, the undertaking of mineral resource exploration, development, extraction or processing operations and the decommissioning, abandonment or closure of such operations or any matter ancillary to all of the above including, without limitation, the abatement, reclamation, rehabilitation, remediation and restoration of mining properties and assets and the natural environment;

"Governmental Authority" means any Canadian federal, provincial or municipal government including any governmental agency, department, ministry, authority, tribunal, commission or official, stock exchange or securities commission having jurisdiction;

"including" means **"including without limitation"** and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it;

"Leases" has the meaning ascribed to such term in the first recital of this Agreement;

"Licences" has the meaning ascribed to such term in the first recital of this Agreement;

"Loss" in respect of any matter includes any and all costs, expenses, penalties, fines, losses, damages, liabilities and deficiencies (including, without limitation, all amounts paid in settlement, all interest and penalties and all reasonable legal and other professional fees and disbursements, including those incurred in defending any claim) arising directly or indirectly as a consequence of such matter;

"Minerals" means all marketable metal bearing material in whatever form or state that is mined, extracted, removed, produced or otherwise recovered and sold from the Licences or Leases;

"Order" means any order (including any judicial or administrative order and the terms of any administrative consent), judgment, injunction, decree, ruling or award of any court, arbitrator or Governmental Authority;

"Parties" means the parties to this agreement collectively, and "Party" means any of them;

"Person" shall be broadly interpreted and includes an individual, body corporate, partnership, unincorporated joint venture, trust, association, unincorporated organization, any Governmental Authority or any other entity recognized by law; and

"Purchased Assets" means, collectively, the interest of Yukoterre in the Licences, the Leases and the Books and Records.

1.2 Headings

The division of this Agreement into articles, sections, subsections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The article, section, subsection and schedule headings in this Agreement are not intended to be full or precise descriptions of the text to which they refer and are not to be considered part of this Agreement. All uses of the words "hereto", "herein", "hereof", "hereby" and "hereunder" and similar expressions refer to this Agreement and not to any particular section or portion of it.

1.3 Number and Gender

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

1.4 Entire Agreement

This Agreement, together with the Closing Documents, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, negotiations, discussions and understandings, written or oral, between the Parties.

1.5 Amendment

This Agreement may be amended, modified or supplemented only by a written agreement signed by both Parties.

1.6 Waiver of Rights

Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right, except as shall be specified herein. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

1.7 Schedules

The following Schedules form part of this Agreement:

Schedule	Description of Schedule
A.	List of Licences
B.	List of Leases

1.8 Applicable Law

This Agreement and each of the documents contemplated by or delivered under or in connection with this Agreement are governed by and are to be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein with the sole exception for matters relating to real property and mining rights which are to be governed and are to be construed in accordance with the laws of the Yukon Territory. The parties to this Agreement hereby irrevocably and unconditionally attorn to the exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals therefrom save for matters relating to real or personal property which the parties hereby irrevocably and unconditionally attorn to the exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals.

1.9 Currency

All statements of or references to dollar amounts in this Agreement are to lawful money of Canada.

1.10 Performance on Holidays

If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, then such action shall be valid if taken on or by the next succeeding Business Day.

1.11 Statutory References

A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.

ARTICLE 2
ASSET PURCHASE AND SALE

2.1 Purchase and Sale

Subject to the terms and conditions hereof, Yukoterre hereby agrees to sell, transfer, assign and convey to the Purchaser, and the Purchaser hereby agrees to purchase and acquire from Yukoterre, all of the right, title and interest of Yukoterre in and to the Purchased Assets.

2.2 Purchase Price

The consideration payable by the Purchaser to Yukoterre for the Purchased Assets shall consist of a cash payment of \$100 (the "**Purchase Price**").

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Yukoterre

Yukoterre, acknowledging that the Purchaser is entering into this Agreement in reliance thereon, represents and warrants to the Purchaser as follows:

(a) It is a corporation duly incorporated and validly existing under its statute of existence and is up to date in respect of all filings required by law or by any Governmental Authority, other than any deficiency that would not have an adverse material effect on Yukoterre;

(b) All requisite corporate acts and proceedings have been done and taken or will by the Closing Date have been done and taken by Yukoterre, if required with respect to entering into this Agreement and completing the transactions contemplated herein;

(c) Yukoterre has the requisite corporate power and authority to own and lease its assets and properties, carry on and conduct its business as now being carried on and conducted by it and enter into this Agreement and to perform its respective obligations hereunder;

(d) This Agreement has been duly and validly executed and delivered by Yukoterre and constitutes a legal, valid and binding obligation of Yukoterre enforceable against it in accordance with the terms hereof;

(e) Except for the rights of the Purchaser pursuant to this Agreement, no Person has any agreement, option, right of first refusal or right, title or interest or right capable of becoming an agreement, option, right of first refusal or right, title or interest, in or to the Purchased Assets;

(f) Yukoterre has all necessary corporate power to own the Purchased Assets and is in compliance with all Applicable Laws and licences, registrations, permits, consents and qualifications to which the Licences and Leases are subject, other than any deficiency that would not have a material adverse effect on Yukoterre or the Purchased Assets;

(g) Other than pursuant to submit transfer forms with the Whitehorse Mining Recorder, no Approvals are required of Yukoterre in connection with the execution and delivery or with the performance by it of this Agreement or the Closing Documents or to effectively complete the transactions contemplated by this Agreement;

(h) Yukoterre has an undivided legal and beneficial good, valid, marketable and exclusive right, title and interest in and to the Purchased Assets, free and clear of all Encumbrances;

(i) All taxes, local improvements, assessment rates, utilities and any and all other payments to or assessments of any Governmental Authority having jurisdiction in respect of the Licences and the Leases have been made by Yukoterre in respect thereof to and including the Closing Date;

(j) The sale of the Purchased Assets to the Purchaser and the completion of the transactions contemplated in this Agreement do not breach (i) the articles or by-laws of Yukoterre or any directors or shareholders resolutions, (ii) any agreements, documents, instruments, covenants or undertakings to which Yukoterre is a party or is bound or otherwise affected, or (iii) any Applicable Law;

(k) There are no finder's fees, commissions or other payments agreed by Yukoterre which are payable by the Purchaser, in cash or shares or otherwise, in relation to the transactions contemplated herein;

(l) Neither the Licences, the Leases nor any Minerals are subject to or bound by any royalty or royalty interest, whether registered or unregistered, and Yukoterre have not granted any royalty interest in or affecting the foregoing, nor is any Person entitled to any royalty or other payment in the nature of rent or royalty on any Minerals produced from the Licences or the Leases;

(m) There is no action, suit, order, work order, petition, prosecution or other similar proceeding of which process initiating the same has been served on Yukoterre or threatened against Yukoterre and affecting any of the Purchased Assets at law or in equity or before or by any Governmental Authority;

(n) There are no Environmental Liabilities relating to the Licences or the Leases that relate to the period during which Yukoterre has held an interest therein that would have a material adverse effect on the Purchaser, the Licences or the Leases and, to the best knowledge of Yukoterre, there are not any legal or administrative actions existing, pending or threatened against Yukoterre, the Licences or the Leases in respect of any Environment Liabilities;

(o) Yukoterre has not received notice of any breach of any Applicable Law in respect of its conduct on or under the Licences or the Leases which could have a material adverse effect on the Licences or the Leases or the right, title and/or interest of Yukoterre therein and thereto; and

(p) Yukoterre is not and will not on the Closing Date be a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

3.2 Representations and Warranties of the Purchaser

The Purchaser, acknowledging that Yukoterre is entering into this Agreement in reliance thereon, represents and warrants to Yukoterre as follows:

(a) It is a corporation duly incorporated and validly existing under the laws of the Province of Ontario, is up to date in respect of all filings required by law and is registered to do conduct business in the Territory of Yukon;

(b) All requisite corporate acts and proceedings have been done and taken by the Purchaser with respect to entering into this Agreement and completing the transactions contemplated herein;

(c) The Purchaser has the requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder;

(d) This Agreement has been duly and validly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser enforceable against it in accordance with the terms hereof;

(e) There are no finder's fees, commissions or other payments agreed by the Purchaser which are payable by the Purchaser, in cash or shares or otherwise, in relation to the transactions contemplated herein; and

(f) The Purchaser has all necessary authority and capacity to enter into the Agreement and all necessary acts, actions and authorizations have been performed by the Purchaser in respect thereof.

3.3 Qualification of Representations and Warranties

Any representation or warranty made by a Party as to the enforceability of this Agreement against such Party is subject to the following qualifications:

(a) Specific performance, injunction and other equitable remedies are discretionary and, in particular, may not be available where damages are considered an adequate remedy; and

(b) Enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other laws generally affecting enforceability of creditors' rights.

3.4 Survival of Representations and Warranties

The respective representations and warranties of Yukoterre and of the Purchaser contained in Sections 3.1 and 3.2 shall survive the Closing and will continue in full force and effect for a period of one (1) year after the Closing.

ARTICLE 4 **INDEMNITY**

4.1 Indemnification by Yukoterre

Yukoterre hereby indemnifies and saves harmless the Purchaser from any Loss suffered or incurred by the Purchaser arising from a claim against the Purchaser up to an aggregate of \$100,000 arising from, related to or in any way connected with (a) any failure by Yukoterre to sell, transfer, assign and convey to the Purchaser all of Yukoterre's rights, title and interests in and to the Purchased Assets or (b) and breach or non-performance of any representation, warranty, covenant or agreement made or to be performed by Yukoterre under this Agreement.

4.2 Indemnification by the Purchaser

The Purchaser hereby indemnifies and saves harmless Yukoterre from any Loss suffered or incurred by Yukoterre arising from a claim against Yukoterre arising from, related to or in any way connected with (i) any breach or non-performance of any representation, warranty, covenant or agreement made or to be performed by the Purchaser under this Agreement, and (ii) any Environmental Liabilities associated with the Licences or the Leases arising with respect to the activities of Yukoterre prior to the Closing and the Purchaser subsequent to Closing.

ARTICLE 5 **CLOSING**

5.1 Closing

The Closing will take place at the offices of the Purchaser in Toronto, Ontario at the Closing Time or at such other place or time as the Parties may agree in writing.

5.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the transactions contemplated in this Agreement shall be subject to the satisfaction of, or compliance with, at or before the Closing Date, each of the following conditions precedent (each of which is hereby acknowledged to be inserted for the exclusive benefit of the Purchaser and may be waived by it in writing in whole or in part):

(a) Each of the representations and warranties of Yukoterre contained in this Agreement shall be true, complete and accurate as and when made and at and as of the Closing Time;

(b) Yukoterre shall have performed and complied with all of the covenants, terms and conditions in this Agreement to be performed or complied with by it at or before Closing;

(c) There shall not be pending any litigation or proceeding against the Purchaser or Yukoterre brought by any Governmental Authority or any other Person that seeks to restrain, materially modify or invalidate the transactions contemplated by this Agreement and no Order that would prohibit, materially modify or restrain such transactions shall be in effect;

(d) Yukoterre shall have approved the execution and delivery of this Agreement and the completion of the transactions contemplated hereby in accordance with the terms of the *Business Corporations Act* (Ontario) and, in respect of Yukoterre, the policies of the Canadian Securities Exchange; and

(e) The Purchaser shall have received at the Closing from Yukoterre the following Closing Documents, dated as of the Closing Date, prepared and/or delivered at the expense of Yukoterre and in form and substance satisfactory to the Purchaser including, without limitation,

- (i) such instruments of sale, transfer, conveyance, assignment or delivery, in registrable form or otherwise, in respect of the Purchased Assets as the Purchaser may reasonably require to assure the full and effective sale, transfer, conveyance, assignment or delivery of all of the right, title and interest of Yukoterre in and to the Purchased Assets to the Purchaser, free and clear of all Encumbrances;
- (ii) an officer's certificate, dated as of the Closing Date, in form and substance reasonably satisfactory to the Purchaser, to bring down representations, warranties and covenants of Yukoterre;
- (iii) a Certificate of Status of Yukoterre issued as of a recent date by the Government of Ontario;
- (iv) an officer's certificate, dated as of the Closing Date, in form and substance reasonably satisfactory to the Purchaser, as to: (1) true and correct copies of the articles and by-laws of Yukoterre; (2) resolutions of the board of directors of Yukoterre authorizing and approving the execution and delivery of this Agreement and the completion of the transactions contemplated hereby; and (3) incumbency, officer certificate and signatures of the officers of Yukoterre executing the Agreement and Closing Documents; and
- (v) such other documents, certificates and other instruments as would be usual in respect of the transactions contemplated herein or as the Purchaser may reasonably require.

5.3 Conditions Precedent in Favour of Yukoterre

The obligations of Yukoterre to complete the transactions contemplated in this Agreement shall be subject to the satisfaction of, or compliance with, at or before the Closing Date, each of the following conditions precedent (each of which is hereby acknowledged to be inserted for the exclusive benefit of Yukoterre and may be waived by it in writing in whole or in part):

(a) Each of the representations and warranties of the Purchaser contained in this Agreement shall be true, complete and accurate as and when made and at and as of the Closing Time;

(b) The Purchaser shall have performed and complied with all of the covenants, terms and conditions in this Agreement to be performed or complied with by it at or before Closing;

(c) There shall not be pending any litigation or proceeding against the Purchaser or Yukoterre brought by any Governmental Authority or any other Person that seeks to restrain, materially modify or invalidate the transactions contemplated by this Agreement and no Order that would prohibit, materially modify or restrain such transactions shall be in effect;

(d) Yukoterre shall have received at the Closing from the Purchaser the following Closing Documents, dated as of the Closing Date, prepared at the expense of the Purchaser and in form and substance satisfactory to Yukoterre including, without limitation:

- (i) a Certificate of Status of the Purchaser issued as of a recent date by the Government of Ontario;
- (ii) an officer's certificate, dated as of the Closing Date, in form and substance reasonably satisfactory to Yukoterre, to bring down representations, warranties and covenants of the Purchaser;
- (iii) an officer's certificate, dated as of the Closing Date, in form and substance reasonably satisfactory to Yukoterre, as to: (1) true and correct copies of the articles and by-laws of the Purchaser; (2) resolutions of the board of directors of the Purchaser authorizing and approving the execution and delivery of this Agreement and the completion of the transactions contemplated hereby; and (3) incumbency, officer certificate and signatures of the officers of the Purchaser executing the Agreement and Closing Documents; and
- (iv) such other documents, certificates and other instruments as would be usual in respect of the transactions contemplated herein or as Yukoterre may reasonably require;

(e) The Purchaser shall have paid the Purchase Price in accordance with Section 2.2 hereof

ARTICLE 6 GENERAL

6.1 Expenses

Subject as otherwise set out in this Agreement, each Party shall pay all expenses it incurs in authorizing, preparing, executing and performing this Agreement and the transactions contemplated hereunder, whether or not the Closing occurs, including all fees and expenses of its legal counsel, accountants or other representatives or consultants.

6.2 Time

Time is of the essence of each provision of this Agreement.

6.3 Notices

Any notice, demand or other communication (in this Section 6.3, a "notice") required or permitted to be given or made hereunder shall be in writing and shall be sufficiently given or made if:

(a) delivered in person during normal business hours of the recipient on a Business Day and left with a receptionist or other responsible officer or employee of the recipient at the applicable address set forth below; or

(b) sent by facsimile transmission (a "**Transmission**") during normal business hours on a Business Day, charges prepaid and confirmed by registered mail;

(i) To Yukoterre at:

YUKOTERRE RESOURCES LTD.
65 Queen Street West, 8th Floor
Toronto, Ontario M5H 2M5

Attention: President
Fax Number: (416) 861-8165

(ii) to the Purchaser at:

[] INC.
[]
[]

Attention: []
Fax Number: []

Each notice sent in accordance with this Section 6.3 shall be deemed to have been received:

(a) on the day it was delivered; or

(b) on the same day that it was sent by Transmission, or on the first Business Day thereafter if the day on which it was sent by Transmission was not a Business Day.

Any Party may change its address for notice by giving notice to the other Party in accordance with this Section 6.3.

6.4 Assignment

Neither Party may assign any rights or benefits under this Agreement, including the benefit of any representation or warranty, to any Person without the prior written consent of the other Party. Each Party agrees to perform its obligations under this Agreement itself, and not to arrange in any way for any other Person to perform those obligations. No assignment of benefits or arrangement for substituted performance

by one Party shall be of any effect against any other Party except to the extent that other Party has consented to it in writing.

6.5 No Ambiguity

The Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not be applicable in the interpretation of this Agreement.

6.6 Further Assurances

Each Party shall do such acts and shall execute such further documents, conveyances, deeds, assignments, transfers and other instruments, and will cause the doing of such acts and will cause the execution of such further documents as are within its power as any other Party may in writing at any time and from time to time reasonably request be done and or executed, in order to give full effect to the provisions of this Agreement and the Closing Documents.

6.7 Counterparts

This Agreement may be executed in counterparts. Each executed counterpart shall be deemed to be an original. Each executed counterpart taken together shall constitute one agreement.

6.8 Electronic Means

Delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date hereinafter set forth.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have duly executed this Purchase Agreement as of the date first written above.

YUKOTERRE RESOURCES LTD.

Per: _____
Name: Kenny Choi
Title: Chief Executive Officer

[_____] INC.

Per: _____
Name: _____
Title: _____

Schedule "A"

List of Licences

District	Grant No.⁽¹⁾	Status	NTS Map No.
Whitehorse	CYW0137	Active	115H08
Whitehorse	CYW0138	Active	115H08
Whitehorse	CYW0143	Active	1.05E+15
Whitehorse	CYW0144	Active	1.05E+17
Whitehorse	CYW0145	Active	105L04
Whitehorse	CYW0146	Active	105L04
Whitehorse	CYW0147	Active	115H16
Whitehorse	CYW0148	Active	115H16
Whitehorse	CYW0149	Active	115I01
Whitehorse	CYW0150	Active	115I01
Whitehorse	CYW0151	Active	115I01
Whitehorse	CYW0152	Active	115I08
Whitehorse	CYW0153	Active	115I08
Whitehorse	CYW0154	Active	1.05E+07
Whitehorse	CYW0155	Active	1.05E+07
Whitehorse	CYW0156	Application	115H08
Whitehorse	CYW0157	Application	115H08

Note:

⁽¹⁾ Licence numbers change each time they are renewed.

Schedule "B"

List of Leases

District	Grant No.	Status	NTS Map No.
Whitehorse	CMW3000	Active	115H08
Whitehorse	CMW3001	Active	115H08
Whitehorse	CMW3002	Active	115H08
Whitehorse	CMW3003	Active	115H08
Whitehorse	CMW3004	Active	115H08

Yukoterre Resources Inc.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended July 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

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:	July 31, 2020	October 31, 2019
ASSETS		
Current		
Cash	\$ 2,388	\$ 85,392
Amounts receivable (Note 4)	5,186	24,842
Total current assets	7,574	110,234
Non-current		
Exploration and evaluation asset (Note 5)	-	424,707
Total assets	\$ 7,574	\$ 534,941
LIABILITIES		
Current		
Trade payables and accrued liabilities (Note 6)	\$ 91,999	\$ 84,620
Total current liabilities	91,999	84,620
EQUITY		
Share capital (Note 7(b))	676,957	676,957
Contributed surplus (Note 8)	91,176	91,176
Deficit	(852,558)	(317,812)
Shareholders' (deficiency) equity	(84,425)	450,321
Total liabilities and equity	\$ 7,574	\$ 534,941

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 10)

Subsequent events (Note 13)

APPROVED ON BEHALF OF THE BOARD

Signed "Maurice Colson", 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)

	Three months ended July 31, 2020	Three months ended July 31, 2019	Nine months ended July 31, 2020	Nine months ended July 31, 2019
Expenses				
Consulting and management fees (Note 9)	\$ 14,250	\$ 600	\$ 63,980	\$ 14,800
Professional fees	11,000	2,355	15,255	8,790
General office expenses	8,351	4,992	30,804	16,492
Loss before impairment and interest expense	33,601	7,947	110,039	40,082
Impairment of exploration and evaluation asset (Note 5)	424,707	-	424,707	-
Interest expense (Note 9)	-	-	-	5,264
Loss and comprehensive loss for the period	\$ 458,308	\$ 7,947	\$ 534,746	\$ 45,346
Basic and diluted loss per share	\$ 0.04	\$ 0.00	\$ 0.05	\$ 0.01
Weighted average number of common shares outstanding - basic and diluted	10,520,541	7,020,541	10,520,541	6,104,921

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		Contributed Surplus	Accumulated Deficit	Equity
	#	\$	\$	\$	\$
Balance, October 31, 2018	4,920,000	246,000	-	(102,967)	143,033
Shares for debt (Note 7(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, 2019	10,520,541	676,957	91,176	(317,812)	450,321
Loss and comprehensive loss for the period	-	-	-	(534,746)	(534,746)
Balance, July 31, 2020	10,520,541	676,957	91,176	(852,558)	(84,425)

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, 2020	July 31, 2019
OPERATING ACTIVITIES		
Net loss for the year	\$ (534,746)	\$ (45,346)
Items not involving cash:		
Impairment of exploration and evaluation asset (Note 5)	424,707	-
Accrued interest on loans payable	-	5,264
	(110,039)	(40,082)
Net change in non-cash working capital	27,035	(15,595)
Net cash flows (used in) operating activities	(83,004)	(55,677)
FINANCING ACTIVITIES		
Loan proceeds	-	63,300
Net cash flows provided by financing activities	-	63,300
INVESTING ACTIVITIES		
Exploration and evaluation asset (Note 5)	-	(7,568)
Net cash flow (used in) investing activities	-	(7,568)
CHANGE IN CASH DURING THE PERIOD	(83,004)	55
CASH, beginning of the period	85,392	1,060
CASH, end of the period	\$ 2,388	\$ 1,115

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, 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 condensed interim 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 \$534,746 during the nine months ended July 31, 2020 (nine months ended July 31, 2019 - \$45,346). As at July 31, 2020, the Company had a working capital deficit of \$84,425 (October 31, 2019 – surplus of \$25,614) and an accumulated deficit of \$852,558 (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 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.

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.

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.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PRESENTATION

Statement of compliance

The accompanying condensed interim financial statements have been prepared by management in conformity with International Accounting Standard (“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 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 cost, 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 18, 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 with the exception of the adoption of new accounting standards and amendments to accounting standards as described below.

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 condensed interim financial statements as result of the adoption 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.

IAS 1, Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors 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. The Company will adopt these amendments as of their effective date, and is currently assessing the impact of adoption.

4. AMOUNTS RECEIVABLE

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

	July 31, 2020	October 31, 2019
Government of Canada HST	\$ 5,186	\$ 24,842
Total	\$ 5,186	\$ 24,842

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION ASSET

Incurring during the period ended:	July 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	
Impairment	(424,707)	
Balance as at July 31, 2020	\$ -	

As at July 31, 2020, the Company fully impaired its exploration and evaluation asset as it intends to change its business. See Note 13.

6. TRADE PAYABLES AND ACCRUED LIABILITIES

As at:	July 31, 2020	October 31, 2019
Trade payables	\$ 54,749	\$ 73,120
Accrued liabilities	37,250	11,500
Total trade payables and accrued liabilities	\$ 91,999	\$ 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.

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 (Note 9)	2,100,541	210,054
Private placement	3,500,000	350,000
Share issue costs	-	(129,097)
Balance as of October 31, 2019 and July 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 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

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

7. CAPITAL STOCK (continued)

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. As at July 31, 2020, 1,920,405 (October 31, 2019 – 2,304,487) shares remain in escrow.

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 8) 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 during the year ended October 31, 2019.

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.

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

	Number of Options	Weighted average exercise price
Balance, October 31, 2018	-	\$ -
Granted	1,295,000	0.10
Balance, October 31, 2019	1,295,000	\$ 0.10
Granted	-	-
Balance, July 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	1.15
September 25, 2024	1,050,000	1,050,000	\$0.10	78,245	4.15
	1,295,000	1,295,000		\$ 91,176	2.65

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%.

Yukoterre Resources Inc.

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For the three and nine months ended July 31, 2020 and 2019

(Expressed in Canadian dollars)

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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 July 31, 2020	For the three months ended July 31, 2019	For the nine months ended July 31, 2020	For the nine months ended July 31, 2019
Directors and officers' compensation	\$ 10,500	\$ -	\$ 36,900	\$ -

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 former 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 (See Note 7). Refer to Note 7 for 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.

10. COMMITMENTS AND CONTINGENCIES

Management contracts

The Company is party to certain management contracts. Currently, these contracts require payments of \$190,800 as at July 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 \$131,700 (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.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended July 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The Company's financial instruments as at July 31, 2020, consisted of cash, amounts receivable and trade payables and accrued liabilities and the amounts reflected in the condensed interim 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 has no financial instruments subsequently measured at fair value in these condensed interim financial statements.

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 these condensed interim financial statements.

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 cash and amounts receivable represents the maximum credit exposure, with a carrying amount of \$7,574 as at July 31, 2020 (October 31, 2019 - \$110,234). The amounts receivable are from the Government of Canada for Harmonized Sales Tax and the cash is held with large Canadian financial institutions. As a result, the Company has assessed an insignificant credit risk as at July 31, 2020 and October 31, 2019.

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 July 31, 2020, the Company had a cash balance of \$2,388 (October 31, 2019 - \$85,392) to settle current liabilities of \$91,999 (October 31, 2019 - \$84,620). Most of the Company's financial liabilities have maturities of less than 30 days and are subject to normal trade terms.

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 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.

Yukoterre Resources Inc.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian dollars)

(Unaudited)

12. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares, contributed surplus and deficit as capital. The Company's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

At July 31, 2020, the Company has no cash-generating operations; therefore, the only source of cash flow is generated from financing activities or loans. The Company's officers and senior management are in the process of searching for additional business opportunities. Potential business activities are appropriately evaluated by senior management and a formal review and approval process has been established at the Board of Directors' level. The Company may enter into new financing arrangements to meet its objectives for managing capital, until such time as a viable business activity is operational and the Company can thereby internally generate sufficient capital to cover its operational requirements.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

13. SUBSEQUENT EVENTS

Subsequent to July 31, 2020, the Company announced that it has entered into an amalgamation agreement (the "Amalgamation Agreement") dated August 25, 2020 with FlyOverture Equity Inc., operating as Silo Wellness ("Silo"), and 1261466 BC Ltd. ("Yukoterre Subco"), a wholly-owned subsidiary of the Company, which was incorporated on August 14, 2020. Completion of the transactions contemplated in the Amalgamation Agreement will result in the reverse takeover of the Company by Silo (the "Proposed Transaction"). The Proposed Transaction will constitute a "Fundamental Change" of the Company, as defined by the policies of Canadian Securities Exchange (the "CSE"). There can be no assurance that the Proposed Transaction will be completed on the terms agreed or at all.

Yukoterre Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended July 31, 2020 and 2019

(Expressed in Canadian Dollars)

Yukoterre Resources Inc.

Management Discussion and Analysis

For the three and nine months ended July 31, 2020 and 2019

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 three and nine months ended July 31, 2020. This MD&A should be read in conjunction with the condensed interim financial statements for the three and nine months ended July 31, 2020 and 2019 and the audited financial statements for the years 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 condensed interim 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 condensed interim 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 condensed interim 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 September 18, 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 licenses, which covered areas outside of the Division Mountain Property, were 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

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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.

As at July 31, 2020, the Company fully impaired its exploration and evaluation asset as it intends to change its business. See Subsequent Events note below.

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 QUARTERLY INFORMATION

Three months ended	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
Funds (used in) operating activities	\$ (6,882)	\$ (7,921)	\$ (68,201)	\$ (86,803)	\$ 1,319	\$ (17,850)	\$ (39,146)	\$ (66,703)
Loss and comprehensive loss for the period	458,308	32,055	44,383	169,499	7,947	20,496	16,903	17,778
Loss per share	0.04	0.00	0.00	0.02	0.00	0.00	0.01	0.00
Total assets	7,574	437,768	446,632	534,941	362,448	356,681	365,178	331,989
Shares outstanding at end of period	10,520,541	10,520,541	10,520,541	10,520,541	7,020,541	7,020,541	4,920,000	4,920,000

For the three and nine months ended July 31, 2020, the Company reported a loss of \$458,308 and \$534,746 or \$0.04 and \$0.05 per share. For the three and nine months ended July 31, 2019, the Company reported a loss of \$7,947 and \$45,346 or \$0.00 and \$0.01 per share. The Company had a working capital deficit of \$84,425 as at July 31, 2020 compared to a working capital surplus of \$25,614 as at October 31, 2019.

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 July 31, 2020, the Company had no operating assets and expects to generate negative cash flow from operations for the foreseeable future.

REVIEW OF FINANCIAL RESULTS

Selected Financial Information

Three months ended	July 31, 2020	April 30, 2020	Jan 31, 2020	Oct 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
Loss and comprehensive loss for the period	\$ 458,308	\$ 32,055	\$ 44,383	\$ 169,499	\$ 7,947	\$ 20,496	\$ 16,903	\$ 17,778
Loss per share	0.04	0.00	0.00	0.02	0.00	0.00	0.00	0.00
General and administrative:								
Consulting and management fees	14,250	18,864	30,866	10,769	600	6,600	7,600	9,600
Professional fees	11,000	1,255	3,000	70,291	2,355	2,500	3,935	3,000
General office expenses	8,351	11,936	10,517	10,194	4,992	11,396	104	269
	\$ 33,601	\$ 32,055	\$ 44,383	\$ 169,499	\$ 7,947	\$ 20,496	\$ 11,639	\$ 12,869

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Expenses

For the period:	Three months ended July 31, 2020	Three months ended July 31, 2019	Nine months ended July 31, 2020	Nine months ended July 31, 2019
Expenses				
Consulting and management fees	\$ 14,250	\$ 600	\$ 63,980	\$ 14,800
Professional fees	11,000	2,355	15,255	8,790
General office expenses	8,351	4,992	30,804	16,492
Impairment of exploration and evaluation asset	424,707	-	424,707	-
Interest expense	-	-	-	5,264
Total	\$ 458,308	\$ 7,947	\$ 534,746	\$ 45,346

The Company recorded consulting and management fees of \$14,250 and \$63,980 for the three and nine months ended July 31, 2020 and \$600 and \$14,800 for the three and nine months ended July 31, 2019.

The Company recorded \$11,000 and \$15,255 in professional fees for the three and nine months ended July 31, 2020 for audit fees, compared with \$2,355 and \$8,790 in the three and nine months ended July 31, 2019.

General office expenses of \$8,351 and \$30,804 for the three and nine months ended July 31, 2020 relate to office costs, filing fees and shareholder communications. The Company recorded general office expenses of \$4,992 and \$16,492 for the three and nine months ended July 31, 2019. The Company strives to minimize general and administrative type expenses.

The Company recorded \$424,707 for the three and nine months ended July 31, 2020 for an impairment of the exploration and evaluation asset.

CASH FLOWS

Three months ended	July 31, 2020	April 30, 2020	Jan 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
Cash flows (used in) operating activities	(6,882)	(7,921)	(68,201)	(86,803)	1,319	\$ (17,850)	\$ (39,146)	\$ (66,703)
Cash flows (used in) financing activities	-	-	-	209,534	4,800	9,500	49,000	75,000
Cash flows (used in) investing activities	-	-	-	(38,454)	(6,551)	-	(1,017)	(8,051)
Net change in cash	\$ (6,882)	\$ (7,921)	\$ (68,201)	\$ 84,277	\$ (432)	\$ (8,350)	\$ 8,837	\$ 246

Cash used in operating activities for the three months ended July 31, 2020 of \$6,882 compared to cash provided of \$1,319 for the same period in the prior year. Cash used in operating activities for the nine months ended July 31, 2020 was \$83,004 compared to \$55,677 for the same period in the prior year. Expenditures for the current and prior period were primarily related to consulting and management fees and general office expenses.

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.

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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 July 31, 2020 the Company has a working capital deficit of \$84,425 and had \$2,388 in cash, compared to a working capital surplus of \$25,614 and cash of \$85,392 as at October 31, 2019. 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 July 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 \$131,700 (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 the 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.

Yukoterre Resources Inc.

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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. As at July 31, 2020, 1,920,405 shares remain in escrow.

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:

	For the three months ended July 31, 2020	For the three months ended July 31, 2019	For the nine months ended July 31, 2020	For the nine months ended July 31, 2019
Directors and officers' compensation	\$ 10,500	\$ -	\$ 36,900	\$ -

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 former 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

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 condensed interim 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.

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IAS 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. The Company will adopt these amendments as of their effective date, and is currently assessing the impact of adoption.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed interim financial statements and related notes. 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

Yukoterre Resources Inc.

Management Discussion and Analysis

For the three and nine months ended July 31, 2020 and 2019

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 condensed interim financial statements.

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.

Yukoterre Resources Inc.

Management Discussion and Analysis

For the three and nine months ended July 31, 2020 and 2019

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.

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.

Yukoterre Resources Inc.

Management Discussion and Analysis

For the three and nine months ended July 31, 2020 and 2019

SUBSEQUENT EVENTS

Subsequent to July 31, 2020, the Company announced that it has entered into an amalgamation agreement (the "Amalgamation Agreement") dated August 25, 2020 with FlyOverture Equity Inc., operating as Silo Wellness ("Silo"), and 1261466 BC Ltd. ("Yukoterre Subco"), a wholly-owned subsidiary of the Company, which was incorporated on August 14, 2020. Completion of the transactions contemplated in the Amalgamation Agreement will result in the reverse takeover of the Company by Silo (the "Proposed Transaction"). The Proposed Transaction will constitute a "Fundamental Change" of the Company, as defined by the policies of Canadian Securities Exchange (the "CSE"). There can be no assurance that the Proposed Transaction will be completed on the terms agreed or at all.

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.

Yukoterre Resources Inc.

FINANCIAL STATEMENTS

For the years ended October 31, 2019 and 2018

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Yukoterre Resources Inc.

Opinion

We have audited the financial statements of Yukoterre Resources Inc. (the "Company"), which comprise the statements of financial position as at October 31, 2019 and 2018, and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss during the year ended October 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

McGovern Hurley

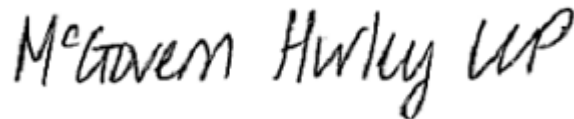
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
February 20, 2020

Yukoterre Resources Inc.

Statements of Financial Position

(Expressed in Canadian dollars)

As at:	October 31, 2019	October 31, 2018
ASSETS		
Current		
Cash	\$ 85,392	\$ 1,060
Amounts receivable (Note 5)	24,842	1,250
Total current assets	110,234	2,310
Non-current		
Exploration and evaluation asset (Note 6)	424,707	329,679
Total assets	\$ 534,941	\$ 331,989
LIABILITIES		
Current		
Trade payables and accrued liabilities (Note 7)	\$ 84,620	\$ 23,166
Loans payable (Note 8)	-	165,790
Total current liabilities	84,620	188,956
EQUITY		
Share capital (Note 9(b))	676,957	246,000
Contributed surplus (Note 10)	91,176	-
Deficit	(317,812)	(102,967)
Shareholders equity	450,321	143,033
Total liabilities and equity	\$ 534,941	\$ 331,989

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 14)

APPROVED ON BEHALF OF THE BOARD

Signed "Rene Bharti", DIRECTOR

Signed "Fred Leigh", DIRECTOR

See accompanying notes to the financial statements

Yukoterre Resources Inc.

Statements of Loss and Comprehensive Loss (Expressed in Canadian dollars)

For the years ended	October 31, 2019	October 31, 2018
Expenses		
Consulting and management fees (Note 13)	\$ 25,569	\$ 40,744
Professional fees	79,081	9,855
General office expenses	26,686	2,097
Stock based compensation (Note 10)	78,245	-
Foreign exchange (gain) loss	-	(2)
Loss before interest expense	209,581	52,694
Interest expense (Note 8)	5,264	8,790
Loss and comprehensive loss for the year	\$ 214,845	\$ 61,484
Basic and diluted loss per share	\$ 0.03	\$ 0.01
Weighted average number of common shares outstanding - basic and diluted (Note 12)	6,690,502	4,920,000

See accompanying notes to the financial statements

Yukoterre Resources Inc.

Statements of Shareholders' Equity (Expressed in Canadian dollars)

	Common Shares		Contributed Surplus	Accumulated Deficit	Equity
	#	\$	\$	\$	\$
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
Private placement (Note 9(b))	3,500,000	350,000	-	-	350,000
Share issue costs (Note 9(b))	-	(129,097)	-	-	(129,097)
Options granted (Note 10)	-	-	91,176	-	91,176
Loss and comprehensive loss for the year	-	-	-	(214,845)	(214,845)
Balance, October 31, 2019	10,520,541	676,957	91,176	(317,812)	450,321
Balance, October 31, 2017	4,920,000	246,000	-	(41,483)	204,517
Loss and comprehensive loss for the year	-	-	-	(61,484)	(61,484)
Balance, October 31, 2018	4,920,000	246,000	-	(102,967)	143,033

See accompanying notes to the financial statements

Yukoterre Resources Inc.

Statements of Cash Flows (Expressed in Canadian dollars)

For the years ended	October 31, 2019	October 31, 2018
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	\$ (214,845)	\$ (61,484)
Items not involving cash:		
Share-based compensation (Note 10)	78,245	-
Accrued interest on loans payable (Note 8)	5,264	8,790
	(131,336)	(52,694)
Net change in non-cash working capital	(11,144)	12,913
Net cash flows (used in) operating activities	(142,480)	(39,781)
FINANCING ACTIVITIES		
Private placement (Note 9(b))	350,000	-
Share issue costs (Note 9(b))	(116,166)	-
Loan proceeds (Note 8)	63,300	157,000
Loan repayments (Note 8)	(24,300)	-
Net cash flows provided by financing activities	272,834	157,000
INVESTING ACTIVITIES		
Exploration and evaluation asset (Note 6)	(46,022)	(125,004)
Net cash flow (used in) investing activities	(46,022)	(125,004)
CHANGE IN CASH DURING THE YEAR	84,332	(7,785)
CASH, beginning of the year	1,060	8,845
CASH, end of the year	\$ 85,392	\$ 1,060
Non-cash activities		
Finder's options issued (Note 10)	\$ 12,931	\$ -
Changes in accrued property expenditures	\$ 49,006	\$ -
Shares issued for debt settlement (Note 8)	\$ 210,054	\$ -

See accompanying notes to the financial statements

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

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 \$214,845 during the year ended October 31, 2019 (October 31, 2018 - \$61,484). As at October 31, 2019, the Company had a working capital surplus of \$25,614 (October 31, 2018 – deficit of \$186,646) and an accumulated deficit of \$317,812 (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 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

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") effective for the Company's reporting for the year ended October 31, 2019.

Basis of presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted. These financial statements were approved and authorized by the Board of Directors of the Company on February 20, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these financial statements for the year end October 31, 2019 and have been approved by the Audit Committee of the Company.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

The presentation currency and functional currency of the Company is the Canadian dollar. Transactions in foreign currencies are recorded in the functional currency at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange 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 included in profit and loss.

Provisions

General

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of operations.

Decommissioning obligations

The Company records a liability for the fair value of legal or constructive obligations associated with the decommissioning of long-lived tangible assets in the period in which they are incurred. The decommissioning liability is recognized at the present value of the estimated future cash flow associated with the decommissioning of the applicable assets or properties. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the decommissioning cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time using the discount rate, with the interest charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability.

As at October 31, 2019 and 2018, the Company did not have any material decommissioning obligations.

Cash

Cash includes cash on hand and deposits held with banks that have a maturity of less than three months at the date they are acquired. The Company did not have any cash equivalents as at October 31, 2019 and 2018.

Amounts receivable

Amounts receivable are amounts that are due from others in the normal course of business. If collection is expected in one year or less, they are classified as current assets; if not, they are presented as non-current assets and discounted accordingly. Accounts receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less any provision for impairment.

Exploration and evaluation assets

Exploration and evaluation assets include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources can be converted to proven and probable reserves. Costs incurred before the Company has obtained the legal right to explore an area are recognized in profit and loss.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Exploration and evaluation costs relating to the acquisition of, exploration for and development of mineral properties are capitalized and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; calculation and definition of mineral resource; test work on geology, metallurgy, mining, geotechnical and geophysical; and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

Capitalized costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Capitalized exploration and evaluation assets for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an impairment analysis, capitalized exploration and evaluation assets are transferred to mine development costs. Technical feasibility and commercial viability generally coincides with the establishment of proven and probable reserves and/or a decision to commence construction of a mine; however, this determination may be impacted by management's assessment of certain modifying factors including: legal, environmental, social and governmental factors. All subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within mine development costs.

All capitalized exploration and evaluation assets are monitored for indications of impairment. Indicators of impairment may include, but are not limited to:

- the period for which the right to explore is less than one year;
- further exploration expenditures are not anticipated;
- a decision to discontinue activities in a specific area; and
- the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that mine development assets are not expected to be recovered, they are charged to profit and loss.

Impairment of non-financial assets

The carrying values of exploration and evaluation assets are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

For exploration and evaluation assets, indicators of impairment would include expiration of a right to explore, no budgeted or planned material expenditures in an area or a decision to discontinue exploration in a specific area. Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. This generally results in the Company evaluating its non-financial assets on a geographical basis. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of loss so as to reduce the carrying amount to its recoverable amount.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of loss.

Financial Instruments

Accounting policy under IFRS 9 applicable from November 1, 2018

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through fair value of other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of loss and comprehensive loss.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss and comprehensive loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of loss and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payables and accrued liabilities and loans payable which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – Financial liabilities at FVPL

Financial liabilities measured at FVPL include any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss and comprehensive loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss and comprehensive loss.

Accounting policy under IAS 39 Applicable prior to November 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities was similar to the accounting policy adopted in 2018, with the following exceptions:

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and receivable - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its cash and amounts receivable as loans and receivables.

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 less any provision for impairment.

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 in other comprehensive income (loss). 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 accumulated other comprehensive (loss) / income and recognized through profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

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

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method and includes accounts payable and accrued liabilities.

Share capital

Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Interest income

Interest income is reported on an accrual basis using the effective interest method.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Stock-based compensation

The Company records compensation cost associated with equity-settled share-based awards based on the fair value of the equity instrument at the date of grant. The fair value of stock options and compensation options is determined using the Black-Scholes option pricing model. The compensation expense is recognized on a straight-line basis over the vesting period, if any, based on the estimate of equity instruments expected to vest. The estimate of options expected to vest is revised at the end of each reporting period. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

When options are exercised, the proceeds received, together with any related amount in the option reserves within equity, is credited to share capital. On expiry, any amount related to the initial value of the stock option or compensation option is recorded to deficit.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would be anti-dilutive.

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 as described below. 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.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 outline the current and previous accounting policies pertaining to financial instruments.

Standards issued but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2019 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 16, Leases (“IFRS 16”) was issued in January 2016. It replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective from January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 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. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES

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.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

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4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTIES (continued)

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.

5. AMOUNTS RECEIVABLE

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

	<u>October 31, 2019</u>	<u>October 31, 2018</u>
Government of Canada HST	\$ 24,842	\$ 1,250
Total	\$ 24,842	\$ 1,250

6. EXPLORATION AND EVALUATION ASSET

<u>Incurring during the years ended:</u>	<u>October 31, 2019</u>	<u>October 31, 2018</u>
Description		
Consulting and technical	\$ 34,562	\$ 19,159
Permits	-	6,551
Travel	39,390	11,330
Reports	605	11,000
Drilling and assay	20,471	76,964
Total exploration and evaluation asset	\$ 95,028	\$ 125,004
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 year	95,028	
Balance as at October 31, 2019	\$ 424,707	

7. TRADE PAYABLES AND ACCRUED LIABILITIES

<u>As at:</u>	<u>October 31, 2019</u>	<u>October 31, 2018</u>
Trade payables	\$ 73,120	\$ 8,166
Accrued liabilities	11,500	15,000
Total trade payable and accrued liabilities	\$ 84,620	\$ 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 Financial Statements

For the years ended October 31, 2019 and 2018

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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 May 10, 2019. These loans were unsecured and had no interest accruing and were paid on September 24, 2019 with the proceeds from the Initial Public Offering ("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.

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
Private placement	3,500,000	350,000
Share issue costs	-	(129,097)
Balance as of October 31, 2019	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.

10. 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 Financial Statements

For the years ended October 31, 2019 and 2018

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10. OPTIONS (continued)

Information relating to share options outstanding as at October 31, 2019 and 2018 is as follows:

	Number of Options	Weighted average exercise price
Balance, October 31, 2018	-	\$ -
Granted	1,295,000	0.10
Balance, October 31, 2019	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	1.90
September 25, 2024	1,050,000	1,050,000	\$0.10	78,245	4.91
	1,295,000	1,295,000		\$ 91,176	3.40

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%.

11. INCOME TAXES

a. Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2018 – 26.5%) were as follows:

	2019 \$	2018 \$
(Loss) before income taxes	(214,845)	(61,484)
Expected income tax recovery based on statutory rate	(57,000)	(16,000)
Adjustment to expected income tax benefit:		
Stock based compensation	21,000	-
Change in benefit of tax assets not recognized	36,000	16,000
Deferred income tax provision (recovery)	-	-

Yukoterre Resources Inc.

Notes to the Financial Statements

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11. INCOME TAXES (continued)

b. Deferred income tax balances

Deferred tax assets have not been recognized in respect of the following deductible temporary differences as it is not probable that future taxable profit will be available against which the Company can use the benefits.

	2019	2018
	\$	\$
Non-capital loss carry-forwards	263,000	103,000
Share issue costs	93,000	-
Total	356,000	103,000

As at October 31, 2019, the Company had estimated non-capital loss for Canadian income tax purposes of approximately \$262,000 available to use against future taxable income. The non-capital tax losses expire after 20 years.

2037	\$	41,000
2038		61,000
2039		160,000
	\$	262,000

12. NET LOSS PER SHARE

The number of shares used to calculate the basic and diluted net loss per share for the year ended October 31, 2019 and 2018 included the weighted average number of common shares outstanding of 6,690,502 and 4,920,000. Outstanding options were antidilutive and excluded from the diluted loss per share calculation.

13. 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 14). Key management personnel compensation comprised:

<u>For the years ended:</u>	<u>October 31, 2019</u>	<u>October 31, 2018</u>
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 (See Note 9). Refer to Note 8 for 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.

Yukoterre Resources Inc.

Notes to the Financial Statements

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14. 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 these 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The Company's financial instruments as at October 31, 2019, consisted 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.

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 these financial statements.

Yukoterre Resources Inc.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 and 2018, the Company had the following asset denominated in foreign currency:

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

October 31, 2018	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.

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 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.

Yukoterre Resources Inc.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 dollars 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.

16. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares, contributed surplus and deficit as capital. The Company's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

At October 31, 2019, the Company has no cash-generating operations; therefore, the only source of cash flow is generated from financing activities or loans. The Company's officers and senior management are in the process of searching for additional business opportunities. Potential business activities are appropriately evaluated by senior management and a formal review and approval process has been established at the Board of Directors' level. The Company may enter into new financing arrangements to meet its objectives for managing capital, until such time as a viable business activity is operational and the Company can thereby internally generate sufficient capital to cover its operational requirements.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

Yukoterre Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended October 31, 2019

(Expressed in Canadian Dollars)

Yukoterre Resources Inc.

Management Discussion and Analysis

For the year ended October 31, 2019

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.

Yukoterre Resources Inc.
Management Discussion and Analysis
For the year ended October 31, 2019

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 HIGHLIGHTS

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.

Yukoterre Resources Inc.
Management Discussion and Analysis
For the year ended October 31, 2019

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

Yukoterre Resources Inc.
Management Discussion and Analysis
For the year ended October 31, 2019

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

Yukoterre Resources Inc.
Management Discussion and Analysis
For the year ended October 31, 2019

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.

Yukoterre Resources Inc.

Management Discussion and Analysis

For the year ended October 31, 2019

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.

Yukoterre Resources Inc.

Management Discussion and Analysis

For the year ended October 31, 2019

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.

Yukoterre Resources Inc.
Management Discussion and Analysis
For the year ended October 31, 2019

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.

Yukoterre Resources Inc.

Management Discussion and Analysis

For the year ended October 31, 2019

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.

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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.

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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.

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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.

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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.

