

# **YORKTON VENTURES INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For The Three Months Ended September 30, 2016**

The following Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition should be read in conjunction with the condensed interim financial statements of Yorkton Ventures Inc. (the "Company") for the three months ended September 30, 2016. The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a going concern basis. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars which is the functional currency of the Company. The effective date of this MD&A is November 28, 2016.

This MD&A may contain forward-looking statements relating to the operations or to the environment in which we operate, which are based on the Company's operations, forecasts, and projections. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and actual results may differ materially from those anticipated in these forward-looking statements.

#### **Company Overview**

The Company was incorporated under the Business Corporations Act (British Columbia) on August 30, 2006 as Brookbank Mining Corp., and changed its name to Yorkton Ventures Inc. on October 9, 2009. The Company was a Capital Pool Company ("CPC"), as defined in the policies of the TSX Venture Exchange (the "Exchange"). Based on the Company's Filing Statement dated January 14, 2013, the Company received approval of its Qualifying Transaction (the "QT") from the Exchange. Effective at the opening of trading February 4, 2013, the Company ceased to be considered a Capital Pool Company and began trading as a Tier 2 oil and gas issuer under the symbol YVI.

The Agreement of Purchase and Sale for the Company's Gift Lake assets was effective December 1, 2013. The Gift Lake property is located in North Central Alberta. In conjunction with the closing of the Company's QT, it also acquired the right to earn a 6.7% working interest before payout and a 4% after payout in 448 hectares in the Nipisi area of North Central Alberta. The Company is engaged in the acquisition, exploration and development of prospective oil and gas properties and will work to identify and evaluate other properties and exploration programs. On November 15, 2013, the Company entered into a farm-out agreement, whereby 100% of the Company's obligation under the Participation Option Agreement will be funded in exchange for the Company's 6.7% working interest before payout and 2% interest after payout, leaving the Company with a 2% net interest after payout. On July 7, 2016, the Company entered into a Purchase and Sale Agreement with an arm's length party, whereby it agreed to sell the Gift Lake assets in consideration for \$325,000.

The Company's cash position increased during the three months ended September 30, 2016, from \$535,290 to \$809,298. Working capital has decreased slightly from \$981,042 at June 30, 2016 to \$946,910 at September 30, 2016. During the three months ended September 30, 2016, the Company used \$50,992 of cash in operating activities compared to \$54,459 during the three months ended September 30, 2015.

#### **Results of Operations**

For the three months ended September 30, 2016, the Company reported a net loss of \$34,132 (2015 – \$84,556) and loss per share of \$0.00 (2015 – \$0.01). The decrease in net loss from the comparative period is mainly due to a reduction in operations upon the sale of the Gift Lake property. The Company recognized revenue of \$nil during the three months ended September 30, 2016, as compared to \$84,961 during the three months ended September 30, 2015. The Company recognized a recovery of production and operating costs of \$1,848 during the three months ended September 30, 2016, as compared to expenses of \$81,844 during the three months ended September 30, 2015. The Company also incurred management and consulting fees of \$27,630 (2015 - \$25,500) and depletion of \$nil (2015 - \$5,207) during the three months ended September 30, 2016.

## Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	September 30, 2016 \$	June 30, 2016 \$	March 31, 2016 \$	December 31, 2015 \$
Revenue	–	33,411	40,423	79,642
Net income (loss) for the period	(34,132)	(36,253)	(128,448)	(193,877)
Basic and diluted earnings (loss) per share	(0.00)	(0.00)	(0.02)	(0.02)
	September 30, 2015 \$	June 30, 2015 \$	March 31, 2015 \$	December 31, 2014 \$
Revenue	84,961	91,827	132,941	156,020
Net income (loss) for the period	(84,556)	142,460	(166,822)	(165,679)
Basic and diluted earnings (loss) per share	(0.01)	0.02	(0.02)	(0.02)

The net loss during the quarter ended September 30, 2016, is comparable to the previous quarter. The decrease in net loss during the quarter ended June 30, 2016, is mainly attributable to the reversal of an impairment of \$93,667 upon reclassification of the Gift Lake assets to assets held for sale. The increase in net loss during the quarters ended March 31, 2016, and December 31, 2015, compared to the previous quarters, is mainly attributable to an impairment loss of \$73,852 and \$198,307, respectively. The increase in net loss during the quarter ended September 30, 2015, compared to the previous quarter, is mainly attributable to a decrease in revenues, due to a drop in oil prices, and an impairment loss of \$42,224. The increase in net income during the quarter ended June 30, 2015, is mainly attributable to the reversal of an impairment loss of \$212,560, due to an increase in forecasted proved and probable reserves. The net loss during the quarter ended March 31, 2015, is comparable to the previous quarter mainly due to an additional impairment loss of \$152,179 recognized on the Gift Lake property, also due to a drop in forecasted oil prices.

### Liquidity

As at September 30, 2016, the Company had cash and cash equivalents of \$809,298 and working capital of \$946,910 compared to cash and cash equivalents of \$535,290 and working capital of \$981,042 at June 30, 2016.

During the three months ended September 30, 2016, the Company used \$50,992 of cash in operating activities compared to \$54,459 of cash used in operating activities for the three months ended September 30, 2015.

The Company is confident that it has sufficient cash resources and revenue to finance its activities for the upcoming fiscal year.

### Petroleum and Royalty Production

The Company's Gift Lake Assets consisted of a 45% working interest in one active well and a 25% interest in two other active wells. The Company also received royalty payments from the production on its fourth active interest. The Company also had a working interest in two inactive wells. On July 7, 2016, the Company entered into a Purchase and Sale Agreement with an arm's length party, whereby it agreed to sell the Gift Lake assets in consideration for \$325,000. The Company received TSX Venture Exchange approval and closed the transaction on August 9, 2016.

## Related Party Transactions

- (a) During the three months ended September 30, 2016, the Company incurred management fees of \$3,000 (2015 - \$3,000) to a company controlled by the President of the Company.
- (b) During the three months ended September 30, 2016, the Company incurred management fees of \$22,500 (2015 - \$22,500) to a company controlled by the Chief Financial Officer of the Company.
- (c) During the three months ended September 30, 2016, the Company incurred professional fees of \$7,500 (2015 - \$7,500) to a company controlled by the Chief Financial Officer of the Company.

## Accounting Standards Issued But Not Yet Effective

The following new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2016, and have not been applied in preparing the financial statements:

- IFRS 9 Financial Instruments (New)
- IFRS 15 Revenue from Contracts with Customers (New)
- IFRS 16 Leases (New)

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## Financial Instruments and Risks

### *Fair Values*

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2016, as follows:

	Fair Value Measurements Using			Balance, September 30, 2016
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash and cash equivalents	809,298	–	–	809,298

The fair values of other financial instruments, which include accrued interest receivable, loan receivable, income taxes receivable, accounts payable and accrued liabilities, and GST payable approximate their carrying values due to the relatively short-term maturity of these instruments.

### *Credit Risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, loan receivable, and income taxes receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The Company performs ongoing credit evaluations, does not require collateral and establishes an allowance for doubtful accounts based on the age of the receivable and the specific identification of receivables the Company considers at risk. Income taxes receivable is due from the Government of Canada and the province of Alberta. The carrying amount of financial assets represents the maximum credit exposure.

### *Foreign Exchange Rate Risk*

The Company is not exposed to any significant foreign exchange rate risk.

### *Interest Rate Risk*

The Company's exposure to interest rate risk relates to its ability to earn short-term interest on cash and cash equivalents balances at variable rates.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Given the nature of the Company's financial assets, it believes that liquidity risk is relatively low.

### *Price Risk*

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities. The Company producing assets and current programs for exploration do expose the Company to some commodity price risk but management is confident that prices should not fluctuate a great deal in the next twelve months.

### **Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital, share-based payment reserve, and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2016.

### **Additional Disclosure for Venture Issuers Without Significant Revenue**

An analysis of material components of the Company's general and administrative expenses is disclosed in the unaudited condensed interim financial statements for the three months ended September 30, 2016 to which this MD&A relates.

### **Disclosure of Outstanding Share Data**

#### *Share Capital*

Authorized: Unlimited number of common shares without par value.

#### *Escrow shares:*

As at November 28, 2016, the Company had 9,000,000 shares issued and outstanding.

#### *Stock Options*

As at November 28, 2016, the Company had no stock options outstanding.

#### *Share Purchase Warrants*

As at November 28, 2016, the following warrants were outstanding:

<u>Number of warrants outstanding</u>	<u>Exercise price</u>	<u>Expiry date</u>
3,000,000	\$ 0.15	January 24, 2018

## **Management's Report on Internal Controls over Financial Reporting**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements and respective accompanying MD&A.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the financial statement filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Forward-Looking Statements**

This MD&A contains forward-looking information (within the meaning of Canadian securities laws) about the Company and its future plans. Forward-looking information reflects management's expectations or beliefs regarding future events rather than historical facts, and in this MD&A include, without limitation, statements regarding potential mineralization and resources, exploration results, and future plans and objectives of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "scheduled", "believes", or variations of such words and phrases or statements that certain actions, events or results "potentially", "may", "could", "would", "might" or "will" be taken, occur or be achieved. There can be no assurance that forward-looking statements will prove to be accurate, and actual results could differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. Important factors that could cause actual results to differ materially from the Company's expectations include, among others, risks related to the ability of the Company to obtain necessary financing and adequate insurance; the economy generally; fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (e.g., diesel fuel and electricity); changes in interest rates; disruption to the credit markets and delays in obtaining financing; the possibility of cost overruns or unanticipated expenses; employee relations. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. Reference to the section entitled "Risks and Uncertainties" immediately preceding this section.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).