

**YORKTON VENTURES INC.**

Financial Statements

For the Years Ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Yorkton Ventures Inc.

We have audited the accompanying financial statements of Yorkton Ventures Inc. (the "Company"), which comprise the statements of financial position as at June 30, 2017 and 2016, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2017 and 2016 and its financial position and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

October 27, 2017

**YORKTON VENTURES INC.**Statements of financial position  
(Expressed in Canadian dollars)

	June 30, 2017 \$	June 30, 2016 \$
Assets		
Current assets		
Cash and cash equivalents	668,743	535,290
Accounts receivable	–	7,784
GST receivable	1,200	4,282
Accrued interest receivable	7,475	639
Loans receivable (Note 3)	150,000	75,000
Income taxes receivable	–	67,730
Assets held for sale (Notes 4 and 13)	–	456,352
<b>Total assets</b>	<b>827,418</b>	<b>1,147,077</b>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	131	34,683
Liabilities related to assets held for sale (Notes 5 and 13)	–	131,352
<b>Total liabilities</b>	<b>131</b>	<b>166,035</b>
Shareholders' equity		
Share capital	1,074,566	1,074,566
Share-based payment reserve	303,099	303,099
Deficit	(550,378)	(396,623)
<b>Total shareholders' equity</b>	<b>827,287</b>	<b>981,042</b>
<b>Total liabilities and shareholders' equity</b>	<b>827,418</b>	<b>1,147,077</b>

Nature of operations (Note 1)

Approved and authorized for issuance by the Board of Directors on October 27, 2017:

/s/ "Randy Clifford"

Randy Clifford, Director

/s/ "Michael Wilson"

Michael Wilson, Director

(The accompanying notes are an integral part of these financial statements)

**YORKTON VENTURES INC.**Statements of operations and comprehensive income (loss)  
(Expressed in Canadian dollars)

	Year ended June 30, 2017 \$	Year ended June 30, 2016 \$
Revenue	20,253	238,437
Expenses		
Depletion	–	15,682
General and administrative	16,425	17,479
Impairment of property and equipment (Note 4)	–	220,716
Management and consulting fees (Note 6)	97,630	95,966
Production, royalty, and operating costs (recovery)	18,484	291,868
Professional fees (Note 6)	49,180	53,780
Total expenses	181,719	695,491
Loss before other income (expense)	(161,466)	(457,054)
Other income (expense)		
Finance costs (Note 10)	–	(88,561)
Interest income	7,711	5,172
Total other income (expense)	7,711	(83,389)
Net loss before income taxes	(153,755)	(540,443)
Income taxes		
Current income tax recovery	–	67,730
Deferred income tax recovery	–	29,579
Total income taxes recovery (Note 14)	–	97,309
Net loss and comprehensive loss for the year	(153,755)	(443,134)
Loss per share, basic and diluted	(0.02)	(0.05)
Weighted average shares outstanding	9,000,000	9,000,000

(The accompanying notes are an integral part of these financial statements)

**YORKTON VENTURES INC.**Statements of changes in equity  
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Deficit \$	Total shareholders' equity \$
	Number	Amount \$			
Balance, June 30, 2015	9,000,000	1,074,566	303,099	46,511	1,424,176
Net loss for the year	–	–	–	(443,134)	(443,134)
Balance, June 30, 2016	9,000,000	1,074,566	303,099	(396,623)	981,042
Net loss for the year	–	–	–	(153,755)	(153,755)
Balance, June 30, 2017	9,000,000	1,074,566	303,099	(550,378)	827,287

(The accompanying notes are an integral part of these financial statements)

**YORKTON VENTURES INC.**

Statements of cash flows

(Expressed in Canadian dollars)

	Year ended June 30, 2017 \$	Year ended June 30, 2016 \$
Operating activities:		
Net loss for the year	(153,755)	(443,134)
Items not involving cash:		
Accretion of decommissioning liabilities	–	11,941
Accretion of discounts on convertible debentures	–	60,031
Deferred income tax recovery	–	(29,579)
Depletion	–	15,682
Impairment of property and equipment	–	220,716
Changes in non-cash operating working capital:		
Accounts receivable	7,784	20,311
GST receivable	(168)	(1,645)
Accrued interest receivable	(6,836)	151
Income taxes receivable	67,730	(6,022)
Accounts payable and accrued liabilities	(5,517)	(14,052)
Net cash used in operating activities	(90,762)	(165,600)
Investing activities:		
Issuance of loan receivable	(75,000)	(75,000)
Proceeds from assets held for sale	299,215	–
Net cash provided by (used in) investing activities	224,215	(75,000)
Financing activities:		
Repayment of convertible debentures	–	(200,000)
Net cash used in financing activities	–	(200,000)
Change in cash and cash equivalents	133,453	(440,600)
Cash and cash equivalents, beginning of year	535,290	975,890
Cash and cash equivalents, end of year	668,743	535,290
Cash and cash equivalents consists of:		
Cash	668,743	410,290
Cashable guaranteed investment certificates	–	125,000
Total cash and cash equivalents	668,743	535,290
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

(The accompanying notes are an integral part of these financial statements)

## **YORKTON VENTURES INC.**

Notes to the financial statements  
Years ended June 30, 2017 and 2016  
(Expressed in Canadian dollars)

### **1. Nature of Operations and Continuance of Business**

Yorkton Ventures Inc. (the "Company") was incorporated under the Business Corporations Act of 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 on February 4, 2013, the Company ceased to be considered a CPC and began trading as a Tier 2 oil and gas issuer under the symbol YVI. The Company's head office is located at 6012 - 85 Avenue, Edmonton, AB, T6B 0J5.

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. On July 7, 2016, the Company entered into a Purchase and Sale Agreement with a non-related party, whereby it agreed to sell the Gift Lake assets for consideration of \$325,000. Refer to Note 13.

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.

These financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at June 30, 2017, the Company had an accumulated deficit of \$550,378 since inception. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Significant Accounting Policies**

#### **(a) Statement of Compliance and Basis of Presentation**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretations Committee.

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

#### **(b) Use of Estimates and Judgments**

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include allowance for doubtful accounts, collectability of loans receivable and accrued interest receivable, recoverability of assets held for sale, and unrecognized deferred income tax assets.

## YORKTON VENTURES INC.

Notes to the financial statements  
Years ended June 30, 2017 and 2016  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (b) Use of Estimates and Judgments (continued)

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the recoverability of property and equipment and going concern assumption. The application of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

#### (c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

#### (d) Accounts Receivable

Accounts receivable represents amounts owed from oil and gas operators for the Company's working interest in the oil and gas properties held and is presented net of the allowance for doubtful accounts which represents the Company's best estimates of the amount of probable credit losses in the existing accounts receivable balance. The Company determines allowance for doubtful accounts based upon historical experience and current economic conditions and reviews the adequacy of its allowance for doubtful accounts on a regular basis.

#### (e) Oil and Gas Properties

##### (i) Recognition and measurement:

###### *Exploration and evaluation expenditures:*

Pre-license costs are recognized in the statement of operations as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, geological and geophysical, drilling, sampling, decommissioning and often directly attributable internal costs, initially are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by well, field or exploration area and not depreciated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and/or probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment or expensed to exploration and evaluation impairments.

###### *Development and production costs:*

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGU") for impairment testing. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

## YORKTON VENTURES INC.

Notes to the financial statements  
Years ended June 30, 2017 and 2016  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (e) Oil and Gas Properties (continued)

##### (i) Recognition and measurement (continued):

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the statement of operations.

##### (ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the statement of operations as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of operations as incurred.

##### (iii) Depletion and depreciation:

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. The estimated useful lives for all production assets are assumed to be equal to the reserve life of the oil and natural gas assets, and therefore are also depreciated using the unit of production method. For other assets, depreciation is recognized in the statement of operations on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

#### (f) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations.

## **YORKTON VENTURES INC.**

Notes to the financial statements  
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### **2. Significant Accounting Policies (continued)**

#### **(f) Impairment of Non-Current Assets (continued)**

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

#### **(g) Decommissioning, Restoration, and Similar Liabilities**

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

The future obligations for well closure activities are estimated by the Company using well closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the wells operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the well closure activities are to be carried out.

The present value of decommissioning and site restoration provision as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. The provision is discounted using a nominal, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. The related decommissioning provision is recorded as part of the oil and gas property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date and the cost is charged to the statement of operations.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

## YORKTON VENTURES INC.

Notes to the financial statements  
Years ended June 30, 2017 and 2016  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (h) Financial Instruments

##### (i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### *Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash and cash equivalents are classified as fair value through profit or loss.

##### *Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. The Company does not have any assets classified as available-for-sale.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of accounts receivable, GST receivable, accrued interest receivable, loans receivable, and income taxes receivable.

## YORKTON VENTURES INC.

Notes to the financial statements  
Years ended June 30, 2017 and 2016  
(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (h) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

##### (ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

## YORKTON VENTURES INC.

Notes to the financial statements  
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(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (h) Financial Instruments (continued)

##### (iii) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

#### (i) Income Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (j) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

#### (k) Joint Interests

Substantially all of the Company's exploration activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

#### (l) Revenue Recognition

Revenue from the sale of oil and gas is recognized when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party, the amount is determinable, and collectability is reasonably assured.

## YORKTON VENTURES INC.

Notes to the financial statements  
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### 2. Significant Accounting Policies (continued)

#### (m) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the year and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the year. When a loss is incurred during the year, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at June 30, 2017 and 2016, the Company had 3,000,000 potentially dilutive shares outstanding.

#### (n) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

#### (o) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

#### (p) Accounting Standards Issued But Not Yet Effective

The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2017, and have not been applied in preparing these financial statements:

- IFRS 9, Financial Instruments (New)

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

## YORKTON VENTURES INC.

Notes to the financial statements  
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### 3. Loans Receivable

- (a) On June 27, 2016, the Company entered into a promissory note receivable for \$75,000 with an unrelated company. The loan receivable bears interest at 6% per annum, is unsecured, and was due on June 27, 2017.
- (b) On February 8, 2017, the Company entered into a promissory note receivable for \$75,000 with an unrelated company. The loan receivable bears interest at 10% per annum, is unsecured, and is due on February 8, 2018.

### 4. Property and Equipment

	Gift Lake Property \$
Cost:	
Balance, June 30, 2015	787,773
Impairment	(220,716)
Balance, June 30, 2016	567,057
Dispositions	(567,057)
Balance, June 30, 2017	—
Accumulated depletion:	
Balance, June 30, 2015	95,023
Additions	15,682
Balance, June 30, 2016	110,705
Dispositions	(110,705)
Balance, June 30, 2017	—
Carrying amounts:	
As at June 30, 2016	456,352
As at June 30, 2017	—

The Agreement of Purchase and Sale for the Company's Gift Lake assets located in north central Alberta was effective December 1, 2013. The Company's Gift Lake Assets consist of a 45% working interest in one active well and a 25% interest in two other active wells. The Company also has a 1.875% working interest in which it receives royalty payments from the production. The Company also has a working interest of 45% in two inactive wells.

As at June 30, 2016, the Company performed an impairment test to assess the recoverable value of the oil and gas properties. Future oil and gas prices are based on the June 30, 2016, commodity price forecasts of independent engineering reports. During the year ended June 30, 2016, the Company recognized an impairment loss of \$220,716 on the Gift Lake property due to a decline of its recoverable amount and recorded depletion expense of \$15,682.

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### 4. Property and Equipment (continued)

As at June 30, 2016, the prices used in the impairment evaluation of the Company's oil and natural gas reserves are:

	Oil Edmonton Par Price 40 API (\$/bbl)	Inflation Rate
2017	63.60	2%
2018	69.50	2%
2019	77.60	2%
2020	79.90	2%
2012	84.80	2%
Percentage change thereafter	+/-2%	

On July 7, 2016, the Company entered into a Sale and Purchase Agreement with a non-related party, whereby it agreed to sell the net assets related to the Gift Lake Property for consideration of \$325,000. On August 9, 2016, the Company closed the transaction.

### 5. Decommissioning Liabilities

The total future decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells and facilities. This includes all estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. As at June 30, 2017, the Company has estimated the net present value of its total decommissioning liabilities to be \$nil (2016 - \$131,352) as the Company had disposed of its oil wells during the year ended June 30, 2017.

The following table reconciles the decommissioning liabilities:

	June 30, 2017 \$	June 30, 2016 \$
Balance, beginning of year	131,352	119,411
Accretion expense	—	11,941
Dispositions	(131,352)	—
Balance, end of year	—	131,352

### 6. Related Party Transactions

- During the year ended June 30, 2017, the Company incurred management fees of \$12,000 (2016 - \$12,000) to a company controlled by the President of the Company.
- During the year ended June 30, 2017, the Company incurred management fees of \$83,500 (2016 - \$79,500) to a company controlled by the Chief Financial Officer of the Company.
- During the year ended June 30, 2017, the Company incurred professional fees of \$29,500 (2016 - \$30,000) to a company controlled by the Chief Financial Officer of the Company.

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### 7. Convertible Debentures

On January 23, 2013, the Company issued three convertible debentures totalling \$300,000. The debentures bear interest at 10% per annum, are unsecured, and are due on January 24, 2018. The debentures are convertible into common shares of the Company at a conversion price of \$0.10 per share at any time at the option of the holders prior to the due date. The Company also issued 3,000,000 share purchase warrants which are exercisable at \$0.10 per share expiring on January 24, 2018.

The convertible debentures were recorded using the residual method, where the convertible debentures have been bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The value of the liability component, at the time of issuance, was determined to be \$149,153 using a net present value calculation assuming a discount rate of 15% per annum. As a result, the value of the equity component of \$150,847 was recorded as equity and an equivalent discount on the convertible debentures which will be accreted to the face value of \$300,000 over the term of the debentures.

On January 23, 2014, the Company agreed to offset one of the three convertible debentures against a loan receivable of \$100,000 issued to the same party. This resulted in the repayment of \$100,000 against the \$135,000 convertible note. The Company recognized the unamortized discount of \$43,980 as interest expense at the date of repayment. During the year ended June 30, 2016, the Company repaid the remaining \$200,000 principal balance along with accrued interest of \$25,302.

### 8. Stock Options

On April 30, 2010, the Company implemented a stock option plan pursuant to which stock options may be granted to directors, officers, employees and consultants of the Company. The Company may grant stock options to a maximum of 10% of the issued shares of the Company at the date of granting the stock options. The minimum exercise price of each stock option must not be less than the discounted market price (as permissible by TSX Venture Exchange Policy). Stock options are exercisable over periods up to ten years and vesting periods can be imposed at the discretion by the Board of Directors.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, June 30, 2015	400,000	0.20
Expired	(400,000)	0.20
Outstanding, June 30, 2016 and 2017	—	—

### 9. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, June 30, 2015, 2016, and 2017	3,000,000	0.10

As at June 30, 2017, the Company had 3,000,000 share purchase warrants exercisable at \$0.10 per common share expiring on January 24, 2018.

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### 10. Finance Costs

	Year ended June 30, 2017 \$	Year ended June 30, 2016 \$
Accretion of decommissioning liabilities	–	11,941
Accretion of discounts on convertible debentures	–	60,031
Interest expense	–	16,589
<b>Total finance costs</b>	<b>–</b>	<b>88,561</b>

### 11. Financial Instruments and Risks

#### (a) 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 June 30, 2017, as follows:

	Fair Value Measurements Using			Balance, June 30, 2017 \$
	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	668,743	–	–	668,743

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

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, GST receivable, loans 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. GST receivable is due from the Government of Canada and 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.

#### (c) Foreign Exchange Rate Risk

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

#### (d) 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.

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### 11. Financial Instruments and Risks (continued)

#### (e) 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 and cash equivalents. 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.

#### (f) 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.

### 12. 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 and share-based payment reserve.

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 issuances 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.

### 13. Assets and Liabilities Held for Sale

The assets and liabilities related to the Gift Lake Property have been presented as held for sale following the approval of management to sell the assets. The Company received TSX Venture Exchange approval and closed the transaction on August 9, 2016. Refer to Note 4.

Assets of disposal group classified as held for sale:

	2017	2016
	\$	\$
Property and equipment	–	456,352

Liabilities of disposal group classified as held for sale:

	2017	2016
	\$	\$
Decommissioning liabilities	–	131,352

## YORKTON VENTURES INC.

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### 13. Assets and Liabilities Held for Sale

Reconciliation of proceeds received:

	\$
Property and equipment	456,352
Decommissioning liabilities	(131,352)
Net assets disposed	325,000
GST receivable	3,250
Total proceeds	328,250
Less: outstanding accounts payable and accrued liabilities	(29,035)
Net proceeds received	299,215

### 14. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2017 \$	2016 \$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(41,514)	(145,920)
Tax effect of:		
Permanent differences and other	1,275	24,992
Change in enacted tax rates	4,353	–
True up of prior year difference	(35,465)	–
Change in unrecognized deferred income tax assets	71,351	23,619
Income tax recovery	–	(97,309)

The significant components of deferred income tax assets and liabilities are as follows:

	2017 \$	2016 \$
Deferred income tax assets		
Non-capital losses carried forward	57,385	5,116
Oil and gas properties	37,585	18,503
Total gross deferred income tax assets	94,970	23,619
Unrecognized deferred income tax assets	(94,970)	(23,619)
Net deferred income tax asset	–	–

As at June 30, 2017, the Company has a non-capital losses carried forward of \$225,039, which is available to offset future years' taxable income. These losses expire as follows:

	\$
2036	18,948
2037	206,091
	225,039

The Company also has available resource related expenditure pools totaling \$147,392, which may be deducted against future taxable income on a discretionary basis.