

# **Yorkton Ventures Inc.**

Management's Discussion and Analysis

Year Ended June 30, 2020

(Stated in Canadian Dollars)

Report Date – October 28, 2020

## **Introduction**

The following Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2020 and related notes attached thereto of Yorkton Ventures Inc. (the "Company"). The consolidated 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.

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**

Yorkton Ventures Inc. (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 is listed on the TSX Venture Exchange (the "Exchange") under the trading symbol YVI. The Company's head office is located at 1200 - 750 West Pender Street, Vancouver, BC, V6C 2T8.

The Company has historically been engaged in the acquisition, exploration, and development of prospective oil and gas properties. In July 2020, the Company entered into a definitive asset acquisition agreement wherein it can acquire a 100% ownership interest in the Bellechase-Timmins property (the "Bellechase Property") in exchange for staged cash payments totaling \$1,700,000. (Refer to the Bellechase-Timmins Property)

## **Bellechase-Timmins Property**

On July 3, 2020, the Company entered into a definitive asset acquisition agreement wherein it can acquire a 100% ownership interest in the Bellechase Property located in Quebec. The terms of acquisition are as follows:

- Pay \$100,000 within 10 days of signing of a definitive agreement (paid July 13, 2020);
- Pay \$250,000 on or before October 15, 2020 (paid October 13, 2020);
- Pay \$350,000 on or before February 2, 2021;
- Pay \$450,000 on or before June 1, 2021; and
- Pay \$550,000 on or before September 1, 2021
- 1% NSR on any and all commercial production, however half of the NSR may be repurchased at anytime for \$1,000,000.

### **Proposed Transaction**

On September 29, 2020, the Company entered into an option agreement with Royal Gold Mining Inc. (“Royal”), a publicly traded company on the TSXV, wherein Royal can earn up to a 70% ownership interest in the Bellechase Property. The option agreement, which is subject to Exchange approval, has the following terms.

To acquire an initial 35% interest in the Bellechase Property, Royal is required to:

- Pay \$250,000 on or before October 15, 2020;
- Pay \$350,000 on or before February 2, 2021;
- Issue a \$100,000 promissory note that bears interest at 10% per annum and matures in two years;
- Issue 1,000,000 Royal shares; and
- Incur \$200,000 in eligible property expenditures by September 29, 2021.

To acquire an additional 35% interest (resulting in a total 70% interest) in the Bellechase Property, Royal is required to:

- Pay \$450,000 in cash prior to June 1, 2021;
- Pay \$550,000 in cash prior to September 1, 2021; and
- Incur a further \$250,000 in eligible property expenditures prior to September 29, 2023.

At that point, a joint venture partnership will be formed, where each party will contribute its share of the project expenditures and costs or will be diluted down accordingly.

The Company will initially be the operator of the Bellechasse Property, and all budgets must be approved by both parties. All technical components will be approved by a technical committee comprising two nominees of Royal and two nominees of the Company.

As at the Report Date, the Company did not receive Exchange approval.

### **Results of Operations**

For the year ended June 30, 2020 (the “Current Year”), the Company reported a net loss of \$199,895 (2019 – \$69,728). The Company had no operating revenue during the year, and expenses primarily consisted of professional fees and administrative expenses. However, the Company did incur \$176,815 in property investigation in connection with the Bellechase Property. The loss in the Current Year was 186% higher than the prior year due to the property investigation costs on the Bellechase Property.

### **Liquidity**

The Company’s cash position decreased during the year ended June 30, 2020 to \$691,446 from \$906,164 at June 30, 2019. In addition, working capital has decreased to \$869,369 from \$1,069,264 at June 30, 2019.

The Company is confident that it has sufficient cash resources to finance its activities for the next 12 months. However, to supplement the Company’s working capital, a non-brokered private placement was completed in July 2020 for aggregate proceeds of \$405,000.

### Summary of Quarterly Results

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

	<b>June 30, 2020 (\$)</b>	<b>March 31, 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>	<b>September 30, 2019 (\$)</b>
<b>Revenue</b>	–	–	–	–
<b>Net loss for the period</b>	(93,065)	(94,570)	(9,733)	(2,527)
<b>Basic and diluted loss per share</b>	(0.01)	(0.01)	(0.00)	(0.00)

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	<b>June 30, 2019 (\$)</b>	<b>March 31, 2019 (\$)</b>	<b>December 31, 2018 (\$)</b>	<b>September 30, 2018 (\$)</b>
<b>Revenue</b>	–	–	–	–
<b>Net loss for the period</b>	(8,610)	(5,672)	(20,561)	(34,885)
<b>Basic and diluted loss per share</b>	(0.00)	(0.00)	(0.00)	(0.00)

### Selected Annual Financial Information

The following table sets forth selected audited financial information of the Company from the last three completed financial years ended June 30:

	<b>2020 (\$)</b>	<b>2019 (\$)</b>	<b>2018 (\$)</b>
<b>Total revenue</b>	–	–	–
<b>Net loss for the year</b>	(199,895)	(69,728)	(138,295)
<b>Basic and diluted loss per share</b>	(0.02)	(0.01)	(0.01)
<b>Total assets</b>	885,772	1,092,575	1,139,514
<b>Total non-current financial liabilities</b>	–	–	–

### **Accounting Standards Adopted During the Period**

During the year ended June 30, 2020, the Company adopted the following accounting standard:

#### *IFRS 16, Leases*

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of loss will be recognized on the statement of financial position.

There was no impact on the Company's financial statements from the adoption of this standard.

### **Related Party Transactions**

- (a) During the year ended June 30, 2020, the Company incurred management fees of \$3,000 (2019 - \$12,000) to a company controlled by the former President of the Company.
- (b) During the year ended ended June 30, 2020, the Company incurred management and professional fees of \$nil (2019 - \$50,000) to a company controlled by the former Chief Financial Officer of the Company.

### **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 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. There have been no changes to the Company's approach to capital management during the period ended June 30, 2020

### **Financial Instruments and Risks**

#### *Financial risk management*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, accrued interest receivable, loans receivable, and accounts payable and accrued liabilities.

#### *Credit Risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, accrued interest receivable, and loans receivable. The Company limits its exposure to credit loss by placing its cash 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. 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 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.

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

#### *Share Capital*

Authorized: Unlimited number of common shares without par value.

As at the June 30, 2020, the Company had 12,000,000 shares issued and outstanding.

As at the Report Date, the Company had 20,100,000 shares issued and outstanding.

#### *Stock Options*

As at June 30, 2020 and the Report Date, the Company had no stock options outstanding.

#### *Share Purchase Warrants*

As at June 30, 2020, the Company had no share purchase warrants outstanding.

As at the Report Date, the Company had the following share purchase warrants outstanding:

- 8,100,000 share purchase warrants exercisable at \$0.075, \$0.10 and \$0.12 in successive years.
- 320,000 finders' warrants exercisable at \$0.35 for the first 6 months and \$0.50 for the subsequent 6 months