

# **WILTON RESOURCES INC.**

## **Management Discussion and Analysis**

**For the three and nine-months periods ended September  
30, 2019 and 2018**

## MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Wilton Resources Inc. ("Wilton" or the "Company") should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company ("Financial Statements") as at and for the three and nine-months periods ended September 30, 2019 and 2018 (the "Financial Statements"), the most recent audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 and the related MD&A, and is based on information available to August 28, 2019. Amounts herein are expressed in Canadian dollars except where indicated otherwise. The unaudited Financial Statements of the Company for the three and nine-months periods ended September 30, 2019 and 2018, are prepared in accordance with IAS 34 Interim Financial Reporting and do not include all information required for full annual consolidated financial statements. The most recent audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 and all comparative information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information regarding the Company is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

This MD&A is dated November 28, 2019 and was prepared by management of the Company. The board of directors of the Company approved this MD&A on November 28, 2019.

### FORWARD-LOOKING INFORMATION

*Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe", "prospect", "future", "possible", "can", "speculative", "perhaps" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.*

*Forward looking information and statements are included throughout this MD&A and include, but are not limited to, statements pertaining to the following:*

- *the Company's ability to continue as a going concern;*
- *the potential impacts of access to capital conditions;*
- *the Company's pursuit to acquire oil and natural gas properties in various international locations, including in the Middle East and Africa;*
- *the Company's liquidity and capital resources; and*
- *the nature of the risks faced by the Company.*

*The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:*

- *general economic conditions in Canada, the United States and globally, including reduced availability of debt and equity financing generally;*
- *industry conditions, including fluctuations in the price of oil, NGL and natural gas;*
- *governmental regulation of the oil and gas industry, including environmental regulation;*
- *fluctuation in foreign exchange or interest rates;*
- *liabilities inherent in oil and natural gas operations;*
- *geological, technical, drilling and processing problems and other difficulties in producing reserves;*
- *uncertainties associated with estimating oil and natural gas reserves;*

- *incorrect assessments of the value of acquisitions;*
- *unanticipated operating events which can reduce production or cause production to be shut in or delayed;*
- *failure to obtain industry partner and other third party consents and approvals, when required;*
- *stock market volatility and market valuations;*
- *availability of financing on acceptable terms;*
- *competition for, among other things, capital, acquisitions of reserves, undeveloped land and skilled personnel;*
- *competition for and inability to retain drilling rigs and other services;*
- *rights to surface access;*
- *the need to obtain required approvals from regulatory authorities; and*
- *general business and market conditions.*

*These factors should not be considered exhaustive. Statements in respect of “reserves” are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.*

*Forward-looking statements or information is based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Company believes that the expectations and assumptions reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company cannot give any assurance that they will prove to be correct. In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: future exchange rates; energy markets and the price of oil and natural gas; general economic conditions, commodity and financial markets; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the ability to acquire oil and natural gas properties in various international locations, including in the Middle East and Africa; current technology; cash flow; commodity prices; production rates; effects of regulation and environmental and tax laws; future operating costs and the Company’s ability to obtain financing on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive.*

*The above summary of assumptions and risks related to forward-looking information has been provided in this MD&A in order to provide readers with a more complete perspective on the Company’s future operations and prospects. Readers are cautioned that this information may not be appropriate for other purposes.*

***The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.***

## **DESCRIPTION OF THE BUSINESS**

Hackamore Capital Corp. was incorporated under the laws of the Province of Alberta on August 15, 2007 and changed its name to Wilton Resources Inc. on October 27, 2008. On July 24, 2009, the Company completed its initial public offering by way of a capital pool company prospectus. The Company was listed as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange (“TSXV”) on August 5, 2009. On October 28, 2011, Wilton completed its qualifying transaction by the acquisition of a certain oil and gas interests.

The Financial Statements of the Company comprise accounts of the Company and its subsidiaries (collectively, the “Company” or “Wilton”). Wilton is an oil and gas exploration and development company. The Company is pursuing oil and gas properties in Canada and various international locations, including the Middle East and Africa.

The common shares of the Company (“Common Shares”) are listed for trading on the TSXV with the trading symbol WIL.

## **GOING CONCERN**

As at September 30, 2019, the Company had a working capital deficit of \$811,372 (December 31, 2018 - \$534,582). The net cash used in operating activities by the Company during the three and nine-month period ended September 30, 2019, was \$369,127 and \$1,115,812 (2018 – \$295,956 and \$1,454,834). In order to settle its existing liabilities and continue operations, including its ongoing oil and natural gas acquisition, exploration and development activities, Wilton will require additional financing. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause Wilton to forfeit its interest in its property, to miss certain acquisition opportunities and/or to reduce or terminate its operations. There can be no assurance that debt or equity financing 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 Wilton. Moreover, future activities may require Wilton to alter its capitalization significantly. The inability of Wilton to access sufficient capital for its operations could have a material adverse effect on Wilton's financial condition, results of operations or prospects. These conditions create a material uncertainty which casts significant doubt on the Company's ability to continue as a going concern.

The Company's access to capital will impact its ability to complete exploration and development activities, acquire international concessions and to ultimately achieve profitable operations.

## **CORPORATE UPDATES**

On February 13, 2019, the Company closed a private placement for an aggregate of 835,714 units of the Company at a purchase price of \$0.56 per unit for gross proceeds of \$468,000. Each unit consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$257,188. Each purchase warrant entitles the holder to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.70 per Common Share.

On April 30, 2019, the Company entered into a workover participation and earning agreement (the "Agreement") with an Alberta oil and gas company pursuant to which the Company has agreed to participate in a planned workover program with respect to a well near Highvale, Alberta (the "Workover"). Upon execution of the Agreement, the Company paid a \$10,000 signing fee. Pursuant to the Agreement, the Company also paid \$50,000 upon receiving a Workover notice as a fee for its participation in the Workover and earned a 3.833% working interest in the well during the period.

On June 10, 2019, the Company closed a non-brokered private placement of an aggregate of 1,500,000 Common Shares at a purchase price of \$0.30 per Common Share for gross proceeds of \$450,000.

On June 18, 2019, the Company granted 423,480 stock options to purchase Common Shares to certain directors, officers and consultants of the Company. The options vested on the date of grant and are exercisable for a period of five years at an exercise price of \$0.33 per Common Share.

On June 18, 2019, the Company cancelled 180,000 previously issued stock options held by an officer of the Company, which had been issued on June 22, 2017 with an exercise price of \$0.80 per Common Share. The Company then reissued 180,000 stock options having an exercise price of \$0.80 per Common Share and an expiry date of June 22, 2022 to such officer of the Company.

On July 10, 2019, 400,000 stock options to purchase Common Shares of the Company held by directors and officers of the Company expired unexercised.

On July 22, 2019, the Company made an application to the TSX Venture Exchange to amend the term of the 4,750,000 Common Share purchase warrants issued to subscribers as part of the Company's private placement financing which closed on August 8, 2017. In accordance with the approval of the TSX Venture Exchange, the Company amended the term of the warrants by extending their expiry date from August 8, 2019 to August 8, 2020. All other terms of the warrants remained the same.

As of September 30, 2019, the Company received, an aggregate \$525,000 pursuant to financings which closed subsequent to period end (see subsequent events, below).

## SUBSEQUENT EVENT

On October 23, 2019, the Company closed a private placement for an aggregate of 1,500,000 units of the Company at a purchase price of \$0.35 per unit for gross proceeds of \$525,000. Each unit consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$257,188. Each purchase warrant entitles the holder to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.40 per Common Share.

## Summary Financial Information

For the period ended	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash used in operations	\$ (369,127)	\$ (295,956)	\$ (1,115,812)	\$ (1,454,834)
Cash from financing	525,000	-	1,425,058	1,459,829
Cash used in investing	-	-	(60,000)	-
Revenue	687	-	687	-
Net loss	(368,263)	(805,256)	(1,388,617)	(1,613,814)
Loss per share - basic and diluted	(0.01)	(0.02)	(0.03)	(0.03)

  

As at	September 30, 2019	September 30, 2018	December 31, 2018
Total assets	\$ 730,682	\$ 413,612	\$ 400,053
Current assets	670,682	413,612	400,053
Current liabilities	1,482,054	858,907	934,635
Working capital deficit	(811,372)	(445,295)	(534,582)
Common shares outstanding	53,934,832	51,349,118	51,599,188

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's quarterly financial results:

Three months ended,	September 30		June 30		March 31		December 31	
	2019	2018	2019	2018	2019	2018	2018	2017
Revenue								
Petroleum and natural gas sales	\$ 687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less:								
Royalty	33	-	-	-	-	-	-	-
	654	-	-	-	-	-	-	-
Expenses								
Production	326	-	-	-	-	-	-	-
General and administrative	368,359	456,916	424,833	415,340	323,984	361,072	351,784	403,797
Accretion of decommissioning obligations	232	168	232	168	232	168	2,090	165
Share based compensation	-	348,172	197,026	18,769	74,047	13,041	265,862	430,871
Impairment of property and equipment	-	-	-	-	-	-	-	26,469
	368,917	805,256	622,09	434,277	398,263	374,281	619,736	861,302
Net Loss for the period	\$ 368,263	\$ 805,256	\$ 622,091	\$ 434,277	\$ 398,263	\$ 374,281	\$ 619,736	\$ 861,302
Loss per share – basic and diluted	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

## DISCUSSION OF OPERATIONS

The Company's business development plan is focused upon acquiring international oil and natural gas interests. Wilton's revenue for the three and nine-months periods ended September 30, 2019 were \$687 and \$687 (2018 - \$nil and \$nil). Production costs were \$326 and \$326 (2018 - \$nil and \$nil) for the same period. General and administrative expenses for the three and nine-months periods ended September 30, 2019 were \$368,359 and \$1,117,176 (2018 - \$456,916 and \$1,233,328). The Company is dedicating resources, including third party consultants, to identify and evaluate potential international oil and natural gas property acquisitions.

### General and administrative details for three and nine months ended September 30:

	3 months		9 months	
	2019	2018	2019	2018
Professional	\$ 52,672	\$ 126,386	\$ 180,768	\$ 210,672
Officer & Consulting Costs	208,773	208,303	614,163	546,124
Office and administrative	70,538	65,716	236,286	251,200
Travel and meals	36,376	56,511	85,959	225,332
Total	\$ 368,359	\$ 456,916	\$ 1,117,176	\$ 1,233,328

General and administrative expenses decreased in the nine months ended September 30, 2019 over the prior comparative period principally due to the net effect of the following:

- Professional fees decreased to \$52,672 and \$180,768 (2018 – 126,386 and \$210,672) as a result of decreased legal fees;
- Officer & Consulting costs ~~increased to of~~ \$208,773 and \$614,162 (2018 – \$208,303 and \$546,124) ~~reflect primarily as a result of having a full time increase in the -9 month comparative period largely due to officer compensation~~ CFO;

- Travel and meals decreased to \$36,376 and \$85,959 (2018 - \$56,511 and \$225,332) as a result of decreased travel costs incurred related to supporting the Company's activities in identifying and evaluating potential acquisitions.

The Company received \$687 and \$687 (2018 - \$nil and \$nil) in revenue from production for the three and nine-months ended September 30, 2019 and 2018 from the Company's workover program near Highvale, Alberta.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company is exposed to liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As previously highlighted under the Going Concern section of this MD&A, significant doubt exists about the Company's ability to continue as a going concern. As at September 30, 2019, the Company had working capital deficit of \$811,372 and cash of \$379,918 compared with a working capital deficit of \$534,582 and cash of \$130,672 at December 31, 2018. The Company continues to experience negative operating cash flow as a result of limited revenue from its Canadian oil and natural gas assets, coupled with the Company's ongoing expenses related to its international oil and natural gas business development activities. The Company anticipates a negative operating cash flow will continue until such time as international oil and natural gas assets are acquired or developed.

In order to satisfy its existing liabilities and maintain further operations and to carry out its ongoing oil and natural gas acquisition, exploration and development activities, Wilton will require additional financing in order to carry out its ongoing oil and natural gas acquisition, exploration and development activities. The amount of capital required cannot be quantified until additional transactions are identified and completed. Failure to obtain such financing on a timely basis could cause Wilton to forfeit its interest in its property, to miss certain acquisition opportunities and/or to reduce or terminate its operations. Upon any resumption of production, any decrease of Wilton's revenues from its reserves as a result of lower oil and natural gas prices or otherwise will affect Wilton's ability to expend the necessary capital to replace its reserves or to maintain its production. There can be no assurance that debt or equity financing, or cash 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 Wilton. Moreover, future activities may require Wilton to alter its capitalization significantly. The inability of Wilton to access sufficient capital for its operations could have a material adverse effect on Wilton's financial condition, results of operations or prospects. Unfavorable global economic conditions, unfavorable global oil market conditions, scarce credit and volatile capital markets may exacerbate Wilton's liquidity risk.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company is not a party to any off balance sheet arrangements or transactions.

## **RELATED PARTY TRANSACTIONS**

In 2014, the Company entered into an agreement with Richard Anderson, Chief Executive Officer and a Director, whereby the Company pays Mr. Anderson for office rental. During the three and nine-months periods ended September 30, 2019, the Company recorded \$12,000 and \$36,000, respectively as an expense for office and equipment rental (2018 - \$12,000 and \$36,000 respectively). Transactions are recorded at the exchange amount agreed to between the related parties.

At September 30, 2019, Mr. Anderson owed the Company \$270,351 (December 31, 2018 - \$248,626). The September 30, 2019 amount represents an advance on operating expenses that will be either drawn down as incurred on behalf of Wilton in addition to expenses reimbursed by the Company or repaid.

## **ACCOUNTING POLICIES & CRITICAL ACCOUNTING ESTIMATES**

Management is required to make judgments, assumptions and estimates in the application of IFRS that may have a significant impact on the financial results of the Company. Details outlining the Company's accounting policies are contained in the notes to the Financial Statements.

The preparation of the Financial Statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of such Financial Statements and the reported amounts of revenues and expenses during the reported periods. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The Company has applied all Standards and Interpretations issued or adopted by the International Accounting Standards Board.

## **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

### **IFRS 16 – Leases**

Effective January 1, 2019, the Company adopted IFRS 16 – Leases (IFRS 16) using the modified retrospective approach. IFRS 16 requires entities to recognize asset and lease obligation on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue and what assets would be recorded. The Company has no lease obligations that fall within the scope of this standard and as a result the adoption of this standard had no effect on the Company's Financial Statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

## **ISSUED AND OUTSTANDING SECURITIES INFORMATION**

### **(a) Preferred Shares**

The Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which are issued and outstanding as of the date hereof.

### **(b) Common Shares**

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

The holders of Common Shares are entitled to dividends, if and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

## Issued share capital

The Company had 53,934,832 Common Shares outstanding as of September 30, 2019.

	<b>Number of Shares</b>
Balance at December 31, 2018	<b>51,599,118</b>
Common shares issued	2,335,714
Balance at September 30, 2019	<b>53,934,832</b>

## Stock Options

During the nine months ended September 30, 2019, 400,000 stock options expired, the Company cancelled 180,000 stock options and issued a total of 703,480 stock options (September 30, 2018 – 130,000).

Stock options issued and outstanding as of September 30, 2019 were as follows:

<b>Exercise Price</b>	<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Issue Date</b>	<b>Expiration Date</b>
\$0.30	375,000	375,000	December 29, 2014	December 29, 2019
\$0.18	685,000	685,000	February 17, 2016	February 17, 2021
\$0.58	1,740,000	1,740,000	October 31, 2016	October 31, 2021
\$0.63	150,000	150,000	December 1, 2016	December 1, 2021
\$0.85	560,000	560,000	October 13, 2017	October 13, 2022
\$0.98	130,000	130,000	June 6, 2018	June 6, 2023
\$1.00	400,000	400,000	July 24, 2018	July 24, 2023
\$1.10	250,000	250,000	November 1, 2018	November 1, 2023
\$1.00	100,000	100,000	January 3, 2019	January 3, 2024
\$0.80	180,000	180,000	June 18, 2019	June 22, 2022
\$0.33	423,480	423,480	June 18, 2019	June 18, 2024
	<b>4,993,480</b>	<b>4,993,480</b>		

## Warrants

On July 22, 2019, the Company made an application to the TSX Venture Exchange to amend the term of 4,750,000 common share purchase warrants issued to subscribers as part of the Company's private placement financing which closed on August 8, 2017. In accordance with the approval of the TSX Venture Exchange, the Company amended the terms of the warrants by extending their expiry date from August 8, 2019 to August 8, 2020. All other terms of the warrants remain the same.

As at September 30, 2019, the Company had the following warrants outstanding:

<b>Exercise price</b>		<b>Number outstanding</b>	<b>Expiration date</b>
\$1.05	(1)	4,750,000	August 8, 2020
\$0.70	(1)	835,714	February 13, 2021
		5,585,714	

Note (1): If at any time prior to the expiry of the purchase warrants, the trading price of the Common Shares exceeds the conversion price for a certain period of time, the Company may provide notice to the holder of the purchase warrants that the warrants will be subject to early expiry.

As at the date of this MD&A, the Company had 55,434,832 Common Shares, 4,993,480 stock options and 7,085,714 share purchase warrants issued and outstanding.

## **BUSINESS RISKS**

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to, and must be read in conjunction with the additional information on these and other factors that could affect the Company's operations and financial results that are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

The Company's access to capital will impact its ability to complete exploration and development activities, acquire international concessions and to ultimately achieve profitable operations. The 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 Financial Statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

Oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These include the uncertainty of finding new reserves, the volatility of commodity prices, operational risks, the cost of capital available to fund exploration and development programs, regulatory issues and taxation, and the requirements of new environmental laws and regulations.

There is no assurance that expenditures made on future exploration by Wilton will result in new discoveries of oil or natural gas in commercial quantities. Without the continual addition of new reserves, any existing reserves that Wilton may have at any particular time and the production there from will decline over time as such existing reserves are depleted. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of Wilton depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Wilton will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Wilton may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well 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 successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blowouts, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on Wilton and its future results of operations, liquidity and financial condition.

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, including geo political events, all of which are beyond the control of the Company. Oil prices are expected to remain volatile and may decline in the near future as a result of global excess supply due to the increased growth of shale oil production in the United States, declines in global demand for exported crude oil commodities, and recent decisions by the Organization of the Petroleum Exporting Countries in respect of member countries' production of oil, among other factors. These recent fluctuations have had a material impact on the oil and natural gas industry.

The Company may elect not to produce from certain wells at lower prices in the future. All these factors could result in a material decrease in the Company's future net production revenue, causing a reduction in its oil and gas exploration, development and acquisition activities.

In addition, bank borrowings available to the Company in the future, if any, will be in part determined by the borrowing base of the Company. A sustained material decline in prices from prior relatively higher average prices could reduce the Company's future borrowing base, therefore reducing the bank credit available to the Company.

Volatility in oil and natural gas prices makes it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers may have difficulty agreeing on the value of such properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

The marketability and price of oil and natural gas which may be acquired or discovered by Wilton will be affected by numerous factors beyond its control. Wilton will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Wilton. The ability of Wilton to market its oil and natural gas may depend upon its ability to acquire capacity on pipelines which deliver oil and natural gas to commercial markets. Wilton will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The Company manages these risks by contracting competent professional staff, following sound operating practices and the prudent issuance of equity to fund capital expenditures so that debt does not become a burden. Extensive geological, geophysical, engineering and environmental analyses are performed before committing to the exploration of new prospects. These analyses are used to ensure a suitable balance between risk and reward. The Company conducts its operations in a manner consistent with environmental regulations as stipulated in applicable local legislation. The Company is committed to meeting its responsibilities to protect the environment wherever it may operate and anticipates making increased capital and operating expenditures as a result of the increasingly stringent laws relating to the protection of the environment. Wilton's operations are subject to the risks normally associated with the oil and natural gas industry. The Company is committed to respecting the safety of its personnel, the environment and the communities where it has operations.

The Company is presently pursuing direct investments in international oil and natural gas projects, often competing with companies that possess greater financial and other resources. There is no assurance that oil and natural gas concessions will be granted to the Company in foreign jurisdictions where the Company is making applications, nor is there assurance that any resulting exploration or development efforts will be successful. If the Company is successful in obtaining exploration prospects in foreign jurisdictions, additional capital will be required to execute the exploration and development programs.

If these international investments are successful, the Company will be exposed to the laws governing the petroleum industry with respect to matters such as taxation, environmental compliance, and other regulatory and political factors as well as shifts in the politics and labor unrest, any of which could adversely affect the Company and its exploration and production activities. The Company's business, results of operations, financial condition, and the trading price of its Common Shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of petroleum properties, third party transportation, disruption to export pipelines due to vandalism, political and community unrest, oil prices, title matters, reclamation costs, oil price volatility, competition, additional funding requirements, destruction or expropriation of assets, changes to agreements with co-venturers governing commercial terms of the venture including allocation of tax burdens amongst the co-venturers, insurance, currency fluctuations, conflicts of interest, and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company recognizes financial assets and financial liabilities, including derivatives, on the consolidated statements of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the Financial Statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

### *Amortized cost*

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows, and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities which meet the definition of a derivative and liabilities incurred for the purposes of selling or repurchasing in the short-term, if they are held for trading.

### *Fair value through other comprehensive income*

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest on the principal amount outstanding.

### *Fair value through profit or loss*

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, which includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The fair value of cash, accounts receivable and accounts payable approximates the carrying value. The main financial risks affecting the Company are as follows:

Concentration risk

A majority of the Company's cash is held by one major Canadian banking institution. Deposits held with this bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and bear minimal risk.

Credit risk

The Company's principal financial assets are cash and accounts receivable. The credit risk on cash is limited because the majority of cash of the Company is deposited with banks with high credit ratings.

The Company's accounts receivable are primarily from a director of the Company and GST from the Canadian government and are subject to credit risks that would be considered normal.

Commodity price risk

The Company's operations and financial results may be affected by fluctuations in commodity prices and exchange rates.