

**WILTON RESOURCES INC.**

**Management Discussion and Analysis**

**For the years ended December 31, 2022, and 2021**

## 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 audited annual financial statements of the Company for the years ended December 31, 2022 and 2021, together with the notes thereto (the "Financial Statements"). Amounts herein are expressed in Canadian dollars except where indicated otherwise. The Financial Statements and all comparative information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A, as well as the Financial Statement and additional information regarding the Company are available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

This MD&A is dated April 26, 2023 and was prepared by management of the Company. The board of directors of the Company approved this MD&A on April 26, 2023.

### 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;*
- *the nature of the risks faced by the Company; and*

*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;*
- *general business and market conditions; and*
- *changes in commodity prices*

*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 currently an oil and gas exploration and development company, with a property in Canada, however, the Company is pursuing oil and gas properties in 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 December 31, 2022, the Company had a working capital deficit of \$1,279,717 (December 31, 2021 - \$767,822). 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. Failure to obtain such financing on a timely basis could cause Wilton to forfeit its interest in its properties, to miss acquisition opportunities and/or to reduce or terminate its operations. There can be no assurance that debt or equity financing will be available or for an amount sufficient to meet the Company's needs and intentions, 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 may cast significant doubt on the Company's ability to continue as a going concern.

## **CORPORATE UPDATES**

On January 24, 2022, the Company received TSXV approval to amend the term of 835,714 Common Share purchase warrants issued to subscribers as part of the Company's private placement financing which closed on February 13, 2019. The expiry date of such Warrants were extended from February 13, 2022 to February 13, 2023. All other terms of the Warrants remain the same.

On March 18, 2022, the shareholders of the Company approved a new equity incentive plan within TSXV Policy 4.4 (the "Incentive Plan"). The Incentive Plan is a "rolling up to 10% and fixed up to 10% plan" which allows for the grant of the following equity-based compensation awards: (i) stock options of the Company; (ii) restricted share units of the Company; (iii) deferred share units of the Company; and (iv) performance share units of the Company.

On June 29, 2022, the Company closed a private placement for an aggregate of 650,000 units of the Company at a purchase price of \$0.40 per unit for gross proceeds of \$260,000. Each unit sold pursuant to the private placement 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 \$91,440. Each purchase warrant entitles the holder thereof 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.

On August 30, 2022, the Company granted 280,000 stock options to purchase Common Shares of the Company to certain directors, officers and consultants of the Company. The options vest on the date of issuance and are exercisable for a period of five years from the date of grant at an exercise price of \$0.54 per share.

On September 13, 2022 880,000 common share purchase warrants that were issued on September 14, 2020 with an exercise price of \$0.30 were exercised. The Company received proceeds of \$264,000 in exchange for 880,000 Common Shares.

On October 18, 2022, 100,000 common share purchase warrants that were issued on July 14, 2021 with an exercise price of \$0.40 were exercised. The Company received proceeds of \$40,000 in exchange for 100,000 Common Shares.

## **SUBSEQUENT EVENTS**

On January 19, 2023, the Company closed a private placement for an aggregate of 1,027,667 units of the Company at a purchase price of \$0.75 per unit for gross proceeds of \$770,750. Each unit sold pursuant to the private placement consisted of one Common Share and one Common Share purchase warrant. Each purchase warrant entitles the holder thereof to purchase an additional Common Share for a period of twenty-four months from the

date of issuance at an exercise price of \$1.00 per Common Share. The Company paid finders fees consisting of a cash payment of \$20,423 and issued 27,230 non-transferable finders warrants.

On January 20, 2023 the Company granted 700,000 stock options to purchase Common Shares of the Company to certain directors, officers and consultants of the Company. The options vest on the date of issuance and are exercisable for a period of five years from the date of grant at an exercise price of \$0.80 per share.

On January 26, 2023, 442,857 common share purchase warrants that were issued on January 26, 2021 with an exercise price of \$0.40 were exercised. The Company received proceeds of \$177,143 in exchange for 442,857 Common Shares.

On February 3, 2023, 300,000 common share purchase warrants that were issued on February 13, 2019 with an exercise price of \$0.70 were exercised. The Company received proceeds of \$210,000 in exchange for 300,000 Common Shares.

On March 16, 2023, 20,000 common share purchase warrants that were issued on April 9, 2021 with an exercise price of \$0.55 were exercised. The Company received proceeds of \$11,000 in exchange for 20,000 Common Shares.

On March 28, 2023, 31,200 finders purchase warrants that were issued on April 9, 2021 with an exercise price of \$0.50 were exercised. The Company received proceeds of \$15,600 in exchange for 31,200 Common Shares.

On April 7, 2023, 400,000 finders purchase warrants that were issued on April 9, 2021 with an exercise price of \$0.50 were exercised. The Company received proceeds of \$200,000 in exchange for 400,000 Common Shares.

## Summary Financial Information

As of December 31	2022	2021	2020
Revenue	\$ 14,199	\$ 12,442	\$ 12,523
Cash used in operations	(986,002)	(1,311,705)	(1,157,537) <sup>(1)</sup>
Cash from financing activities	694,473	1,384,325	1,152,526 <sup>(1)</sup>
Net loss	(1,215,556)	(2,269,619)	(1,703,126)
Loss per share - basic and diluted	(0.02)	(0.04)	(0.03)

As at	December 31, 2022	December 31, 2021	December 31, 2020
Total assets	\$ 446,393	\$ 779,462	\$ 647,087
Current assets	85,255	375,988	344,777
Current liabilities	1,412,725	1,143,810	1,477,492
Working capital deficiency	1,279,717	767,822	1,132,715
Total non-current financial liabilities	47,753	49,601	49,653
Common Shares outstanding	65,295,262	63,665,262	59,163,832

<sup>(1)</sup> Certain comparative figures have been reclassified to be consistent with the presentation of the current year selected annual information

## SUMMARY OF QUARTERLY RESULTS

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

Three months ended,	December 31		September 30		June 30		March 31	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue								
Petroleum and natural gas sales	\$ 3,048	\$ 3,641	\$ 3,578	\$ 3,031	\$ 3,921	\$ 2,957	\$ 3,652	\$ 2,813
Less:								
Royalty	240	182	435	85	315	78	188	83
	2,808	3,459	3,143	2,946	3,606	2,879	3,464	2,730
Expenses								
Production	999	1,013	4,592	1,254	1,017	1,195	1,391	1,318
Remediation (recovery) expense	-	173	-	53	-	10,257	-	(11,428)
Professional fees	128,359	68,498	36,400	31,006	16,182	65,963	36,973	157,939
Officer & consulting costs	129,037	116,837	108,630	112,399	117,898	118,137	113,286	82,070
Office & administrative	53,950	64,681	69,164	51,765	82,190	55,723	46,625	51,672
Meals & travel	78,721	20,571	68,290	20,387	10,476	4,347	15,209	5,616
Accretion and change in estimate of decommissioning obligation	(2,715)	1,227	289	166	289	166	289	(1,611)
Share based compensation	-	779,092	106,747	-	-	-	-	466,191
Depletion	883	1,140	1,012	1,176	1,218	1,274	1,176	1,367
	389,234	1,053,232	395,124	218,205	229,270	257,062	214,949	753,134
Net Loss for the period	\$ 386,426	\$ 1,049,773	\$ 391,981	\$ 215,259	\$ 225,664	\$ 254,183	\$ 211,485	\$ 750,404
Loss per share – basic and diluted	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01

<sup>(1)</sup> Certain comparative figures have been reclassified to be consistent with the presentation of the current year selected annual information

### Fourth Quarter 2022 vs Fourth Quarter 2021

- Revenue decreased to \$3,048 (2021 - \$3,641) as a result of decreased oil prices.
- Royalties increased to \$240 (2021 - \$182) as a result of increased royalty charges.
- Professional fees increased to \$128,359 (2021 - \$68,498) as a result of increased legal fees related to the proposed acquisition of assets.
- Officer and consulting costs increased to \$129,037 (2021 - \$116,837) as a result of increased consultant fees.
- Production costs were \$999 compared to \$1,013 in 2021 due to decreased production costs related to the oil and gas sales.
- Share based compensation was \$nil compared to \$779,092 in 2021 as a result of no options being issued to directors and officers.

## **Year Ended 2022 vs Year Ended 2021**

- Revenue increased to \$14,199 (2021 – \$12,442) as a result of increased commodity prices in the first half of 2022.
- Royalties increased to \$1,178 (2021 - \$482) as a result of increased increased commodity prices.
- Production costs were \$7,999 compared to \$4,780 in 2021 as a result of surface lease costs on the non-producing well.

## **DISCUSSION OF OPERATIONS**

The Company's business development plan is focused upon acquiring international oil and natural gas interests. Wilton's revenue for the year ended December 31, 2022 was \$14,199 (2021 - \$12,442). The Company earned revenue from production during the year ended December 31, 2022 from the Company's working interest in a well near Highvale, Alberta. Royalty costs for the year ended December 31, 2022 was \$1,178 (2021 - \$428) and production costs for the year ended December 31, 2022 was \$7,999 (2021 - \$4,780). The Company is dedicating resources, including third party consultants, to identify and evaluate potential international oil and natural gas property acquisitions.

General and administrative expenses decreased during the years ended December 31, 2022 over the prior comparative periods principally due to the net effect of the following:

- Travel and meals increased to \$172,696 (2021 – \$50,920) primarily as a result of increased travel;
- Professional fees decreased to \$217,914 (2021 - \$323,405) primarily as a result of decreased legal fees as a result of decreased activities;
- Office and administrative fees increased to \$251,929 (2021 - \$223,842) primarily as a result of increased office expenses
- Officer and Consulting Costs increased to \$468,851 (2021 - \$429,442) as a result of increased third-party consulting fees paid

The Company earned \$14,199 (2021 - \$12,442) in revenue from production during the years ended December 31, 2022 and 2021 from the Company's working interest in a well 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 may exist about the Company's ability to continue as a going concern. As at December 31, 2022, the Company had working capital deficit of \$1,279,717 including cash of \$57,003 compared with a working capital deficit of \$767,822 including cash of \$348,532 at December 31, 2021. 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. 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 Rick Anderson, Chief Executive Officer and a Director, whereby the Company pays Mr. Anderson for office rental. During the year ended December 31, 2022, the Company recorded \$48,000 as an expense for office rental (2021 - \$48,000).

At December 31, 2022, Mr. Anderson owed the Company \$325,605 (2021 - \$363,652). The December 31, 2022 amount represents an advance on operating expenses that will be drawn down as incurred on behalf of Wilton in addition to expenses reimbursed by the Company and repayment.

## **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.

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2022. Pronouncements that are not applicable to the Company have been excluded from this note.

## IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued amendments to deal with the classification of liabilities. Clarifications were added that if an entity does not have a right to defer settlement of a liability for at least twelve months after the reporting period they meet the definition of a current liability. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

## IAS 12 – Income taxes

In September 2021, IAS 12 was amended to narrow the scope of when the existing exemption for recognizing deferred income tax assets and deferred income tax liabilities on initial recognition of an asset and a liability is applied. The amendments clarify the requirement to account for deferred tax on transactions such as initial recognition of leases and decommissioning obligations where the transaction gives rise to an equal taxable and deductible temporary difference. The amendment is effective for annual periods beginning on or after January 1, 2023, and applied retrospectively.

## 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 65,295,262 Common Shares outstanding as of December 31, 2022.

	Number of Common Shares	Number of Stock Options	Number of Warrants
<b>Balance at January 1, 2022</b>	<b>63,665,262</b>	<b>6,362,879</b>	<b>5,837,344</b>
Shares issued	650,000	-	650,000
Warrants exercised	980,000	-	(980,000)
Options issued	-	280,000	-
Options expired/cancelled	-	(740,000)	-
Warrants expired	-	-	(649,000)
<b>Balance at December 31, 2022</b>	<b>65,295,262</b>	<b>5,902,879</b>	<b>4,858,344</b>

## Stock Options

During the period ended December 31, 2022, the Company issued 280,000 stock options to certain directors, officers and consultants of the Company (2021 – 3,344,399).

Stock options issued and outstanding as of December 31, 2022 were as follows:

Exercise Price	Number Outstanding	Number Exercisable	Issue Date	Expiration Date
\$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
\$0.33	423,480	423,480	June 18, 2019	June 18, 2024
\$0.50	975,000	975,000	January 6, 2020	January 6, 2025
\$0.52	1,176,399	1,176,399	February 26, 2021	February 26, 2026
\$0.50	2,018,000	2,018,000	November 1, 2021	November 1, 2026
\$0.66	150,000	150,000	December 1, 2021	December 1, 2026
\$0.54	280,000	280,000	August 30, 2022	August 30, 2027
	5,902,879	5,902,879		

As of December 31, 2022, the weighted-average life of the options outstanding was 2.2 years (2021 – 3.3 years)

### Warrants

As at December 31, 2022, the Company had the following warrants outstanding and exercisable:

Exercise price		Number outstanding	Expiration date
\$0.70	(2)	835,714	February 13, 2023
\$0.40		999,999	January 26, 2023
\$0.55		520,000	April 9, 2023
\$0.50	(1)	31,200	April 9, 2023
\$0.40		1,121,431	July 14, 2023
\$0.40		700,000	November 12, 2023
\$0.40		650,000	June 29, 2024
		4,858,344	

Note (1): These warrants were issued to agents as finder's warrants.

Note (2): The expiry date of these warrants was extended from February 13, 2021 to February 13, 2022, then again to February 13, 2023.

As of December 31, 2022, the weighted-average life of the warrants outstanding was 0.51 years (2021 – 2.2 years).

As at the date of this MD&A, the Company had 67,116,986 Common Shares, 6,602,879 stock options and 4,026,328 share purchase warrants issued and outstanding.

## CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for the design and evaluation of internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and in the financial statements for the years ended December 31, 2022 and 2021.

Management of the Corporation has filed the Venture Issuer Basic Certificate with the filings for the years ended December 31, 2022 and 2021 on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

- (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and
- (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement DC&P and ICFR as defined in NI 52-109 on a cost-effective basis may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

## **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.

The Company is subject to anti-corruption legislation including the Corruption of Foreign Public Officials Act (Canada) and other similar acts (collectively "**Anti-Corruption Legislation**"), which prohibit the Company or any of its officers, directors, employees or agents acting on its behalf from paying, offering to pay or authorizing the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an office capacity. The Company's international activities create the risk of unauthorized payments or offers of payments by its employees, consultants or agents, even though they may not always be subject to its control. The Company strictly prohibits these practices by its employees and agents.

However, the Company's existing safeguards and any future improvements may prove to be less than effective, and its employees, consultants and agents may engage in conduct for which the Company may be held responsible. Any failure by the Company to adopt appropriate compliance procedures and to ensure that its employees and agents comply with Anti-Corruption Legislation and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on its ability to conduct its business, which may have a material adverse impact on the Company or its share price.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company recognizes financial assets and financial liabilities, including derivatives, on the 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, due from related party, accounts payable, and deferred share capital contributions 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.

Liquidity risk

The Company may need to obtain additional sources of cash resources to execute future exploration programs and believes that it has access to sufficient capital through potential external equity sources to meet projected expenditures.

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 relates to amounts owing from petroleum and natural gas sales and GST receivables which are from the Canadian government and is subject to credit risk that would be considered normal in the environment.

The Company estimates the recoverability of the balance of due from related party based on uncertain future events and assumptions.

Commodity price risk

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