

## **YOHO RESOURCES INC.**

### **Management's Discussion and Analysis**

Three and Nine Months Ended June 30, 2009 and 2008

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

The following management's discussion and analysis ("MD&A"), dated August 18, 2009, reviews Yoho Resources Inc.'s ("Yoho" or the "Company") activities and results of operations for the three and nine months ended June 30, 2009 and 2008 and should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended June 30, 2009 and 2008 and the audited consolidated financial statements for the years ended September 30, 2008 and 2007.

The accompanying unaudited interim consolidated financial statements of Yoho have been prepared by management and approved by the Company's Audit Committee and Board of Directors. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

### **BOE PRESENTATION**

In conformity with National Instrument 51-101, Standards for Disclosure of Oil and Gas Activities ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that the term "boe" may be misleading, particularly if used in isolation.

### **NON-GAAP FINANCIAL MEASURES**

The MD&A contains the term "funds from operations" and "funds from operations per share" which do not have any standardized meaning prescribed by Canadian GAAP. Management uses funds from operations and funds from operations per share to analyze operating performance and leverage and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian GAAP as an indicator of the Company's performance. Therefore references to funds from operations or funds from operations per share (basic and diluted) may not be comparable with the calculation of similar measures for other entities. Yoho calculates funds from operations per share using the same method used in the determination of net income per share.

Yoho also uses "operating netbacks" and per boe metrics as key performance indicators. These terms do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices. The Company uses this measure to help evaluate its performance.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements relating to future events. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", or similar expressions. Such statements represent Yoho's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt, revenues or other expectations, beliefs, plans, objectives, intentions or statements about future events or performance. These statements represent management's best projections, expectations, and estimates as of the date of this document, but undue reliance should not be placed

upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A, which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Such risks and uncertainties would include, without limitation, risks associated with the oil & natural gas exploration and development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, increased competition from other producers, inability to retain drilling rigs and other services, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada and the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, changes in federal and provincial tax laws and legislation (including the adoption of new royalty regimes), the lack of availability of qualified personnel, fluctuations in foreign exchange or interest rates, stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof, and obtaining required approvals of regulatory authorities. Examples of forward looking information in this document include, but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect.

- The expectation that provincial royalty incentive programs will have the effect of lowering the Company's effective royalty rate. This will be subject to the effects of fluctuating prices on royalty rates along with the allocation and success of future capital programs.
- Yoho's current estimate of fiscal Q4 production is subject to the timely completion of turnaround and repair work by third party operators along with other operational factors that may arise in the quarter.
- Plans by Yoho to spend between \$15 and \$16 million in fiscal 2009 subject to the results of the Yoho's fiscal Q4 focus on land acquisition and property and corporate acquisition evaluations.
- The expectation that the Company can fund ongoing operations and capital programs with funds from operations and will have available credit facilities to manage working capital. Due to current global economic uncertainties, absolute assurance cannot be given that the funds considered necessary to operate will be available as required.
- The expectation that inflationary pressures on the Company's operating costs and capital expenditures brought on by past demand for services and supplies within the Canadian oil and gas industry will not be a significant factor in future quarters.
- The anticipation that project scoping for the Company's IFRS changeover plan will be complete by September 30, 2009.

This forward-looking information represents our views as of the date of this document and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. **There can be no assurance that forward-looking information will prove to be accurate, as results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information, except as required by applicable securities laws.**

This MD&A was reviewed and approved by the Company's Audit Committee and Board of Directors on August 18, 2009.

Additional information regarding Yoho is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Information is also accessible on our website at [www.yohoresources.ca](http://www.yohoresources.ca).

## RESULTS OF OPERATIONS

### ***Production***

Production for the third quarter of fiscal 2009 averaged 2,682 boe per day, a 31% increase from 2,041 boe per day for the third quarter of fiscal 2008. Natural gas production was 13,679 mcf per day in the third quarter of fiscal 2009, an increase of 30% from 10,514 mcf per day during the third quarter of fiscal 2008. Production of light oil and natural gas liquids in the third quarter of fiscal 2009 was 322 barrels per day, an increase of 75% compared with 184 barrels per day during the third quarter of fiscal 2008. The increase in natural gas and light oil and natural gas liquids production during the third quarter of fiscal 2009 was the result of successful drilling activities during the year and production acquired in the current quarter. Heavy oil production for the third quarter of fiscal 2009 was 80 barrels per day, a decrease of 24% from 105 barrels per day during the third quarter of fiscal 2008. The decrease in heavy oil production was due to natural declines as no new wells have been drilled on the heavy oil properties.

Production for the nine months ended June 30, 2009 averaged 2,458 boe per day, a 29% increase from 1,909 boe per day for the nine months ended June 30, 2008. Natural gas production was 12,581 mcf per day in the nine months ended June 30, 2009, an increase of 29% from 9,739 mcf per day during the nine months ended June 30, 2008. Production of light oil and natural gas liquids in the nine months ended June 30, 2009 was 267 barrels per day, an increase of 60% compared to 167 barrels per day during the nine months ended June 30, 2008. The increase in natural gas and light oil and natural gas liquids production during the nine months ended June 30, 2009 was the result of successful drilling activities and production acquired during the year. Heavy oil production for the nine months ended June 30, 2009 was 94 barrels per day, a decrease of 21% from 119 barrels per day during the third quarter of fiscal 2008. The decrease in heavy oil production was due to natural declines.

### ***Revenue***

Petroleum and natural gas sales for the third quarter of fiscal 2009 were \$5,642,092, a decrease of 55% from \$12,575,292 for the same quarter in the prior year. The decrease in petroleum and natural gas sales in fiscal 2009 was due to a 69% decrease in the price of natural gas received offset by a 31% increase in production. Crude oil, natural gas and natural gas liquids are sold at prevailing market prices less deductions for quality adjustments and applicable tariffs.

The Company, during the third quarter of fiscal 2009, received a net price of \$3.28 per mcf for natural gas, \$40.71 per barrel for light oil and natural gas liquids and \$51.38 per barrel for heavy oil. The wellhead price received for the Company's heavy oil is impacted by the heavy oil differential and the price of diluent added to the heavy oil in the Seal area to meet pipeline specifications. During the third quarter of fiscal 2008, commodity prices received were \$10.63 per mcf for natural gas, \$95.08 per barrel for light oil and natural gas liquids, and \$85.97 per barrel for heavy oil.

Petroleum and natural gas sales for the nine months ended June 30, 2009 were \$21,020,200 compared to \$27,761,019 for the same period in the prior year. An increase in petroleum and natural gas sales of 29% was offset by a 40% decrease in the price of natural gas received in fiscal 2009.

The Company, during the nine months ended June 30, 2009, received a net price of \$4.89 per mcf for natural gas, \$44.94 per barrel for light oil and natural gas liquids and \$37.79 per barrel for heavy oil. During the nine months ended June 30, 2008, commodity prices received were \$8.21 per mcf for natural gas, \$77.21 per barrel for light oil and natural gas liquids, and \$56.70 per barrel for heavy oil.

### ***Royalties***

Total royalties for the third quarter of fiscal 2009 were \$502,293 compared to \$2,391,128 for the third quarter last year. Royalties for the quarter were 9% of sales compared to 19% of sales for the prior year. Lower natural gas prices along with annual gas cost allowance adjustments are responsible for the decrease in royalties and royalties as a percentage of sales in the quarter.

Royalties for the nine months ended June 30, 2009 were \$3,735,926 compared \$5,168,102 for the same period in the prior year due to increased production. Royalties were 18% of sales for the nine months ended June 30, 2009 compared to 19% of sales for the nine months ended June 30, 2008.

Both the provinces of Alberta and British Columbia have introduced short term royalty incentive programs which could have the effect of temporarily lowering the Company's corporate royalty rate over the next one to two years. Yoho's corporate royalty rates will also continue to fluctuate with commodity prices, well production rates, production decline on existing wells, and performance and location of new wells drilled.

### **Operating Expenses**

Increased production for the third quarter of fiscal 2009 resulted in operating expenses of \$992,499 (\$4.07 per boe) compared to \$1,177,315 (\$6.34 per boe) for the third quarter of fiscal 2008. The decrease in operating expense per boe is the result of increased production volumes and operating efficiencies achieved during the period.

Operating expenses for the nine months ended June 30, 2009 were \$3,157,111 (\$4.71 per boe) compared to \$3,131,162 (\$5.98 per boe) for the same period in the prior year. Increased production volumes and operating efficiencies achieved were the primary drivers of the decrease in operating expenses per boe.

### **Processing Fees**

Yoho pays fees to other operators for processing, gathering and compression of natural gas through third party facilities. Processing fees for the third quarter of fiscal 2009 were \$1,093,673 (\$4.48 per boe), compared to fees of \$625,530 (\$3.37 per boe) in the third quarter of fiscal 2008.

Processing fees for the nine months ended June 30, 2009 were \$2,721,218 (\$4.06 per boe), compared to fees of \$1,809,183 (\$3.46 per boe) for the nine months ended June 30, 2008. The increase in processing fees is the result of increases in the fees charged by third parties to gather and process natural gas production along with an increase in volumes processed by third parties from wells drilled during the period.

### **Operating Netbacks**

The operating netbacks for the three months ended June 30, 2009 and 2008 are:

	Natural gas (\$/mcf)		Light oil and NGLs (\$/bbl)		Heavy Oil (\$/bbl)		BOE (\$/boe)	
	2009	2008	2009	2008	2009	2008	2009	2008
Sales price	<b>3.28</b>	10.63	<b>40.71</b>	95.08	<b>51.38</b>	85.97	<b>23.12</b>	67.71
Royalties	<b>(0.26)</b>	(2.22)	<b>(4.22)</b>	(6.48)	<b>(7.94)</b>	(16.19)	<b>(2.06)</b>	(12.88)
Operating costs	<b>(0.69)</b>	(0.92)	<b>(3.77)</b>	(9.13)	<b>(3.73)</b>	(14.75)	<b>(4.07)</b>	(6.34)
Processing	<b>(0.88)</b>	(0.65)	-	-	-	-	<b>(4.48)</b>	(3.37)
Operating netback	<b>1.45</b>	6.84	<b>32.72</b>	79.47	<b>39.71</b>	55.03	<b>12.51</b>	45.12

The operating netbacks for the nine months ended June 30, 2009 and 2008 are:

	Natural gas (\$/mcf)		Light oil and NGLs (\$/bbl)		Heavy Oil (\$/bbl)		BOE (\$/boe)	
	2009	2008	2009	2008	2009	2008	2009	2008
Sales price	<b>4.89</b>	8.38	<b>44.94</b>	77.21	<b>37.79</b>	56.70	<b>31.33</b>	53.05
Royalties	<b>(0.96)</b>	(1.70)	<b>(3.39)</b>	(6.98)	<b>(6.96)</b>	(9.16)	<b>(5.57)</b>	(9.88)
Operating costs	<b>(0.74)</b>	(0.84)	<b>(5.30)</b>	(9.52)	<b>(8.80)</b>	(13.94)	<b>(4.71)</b>	(5.98)
Processing	<b>(0.79)</b>	(0.68)	-	-	-	-	<b>(4.06)</b>	(3.46)
Operating netback	<b>2.40</b>	5.16	<b>36.25</b>	60.71	<b>22.03</b>	33.60	<b>16.99</b>	33.73

**General and Administrative Expenses**

General and administrative expenses for third quarter of fiscal 2009 were \$414,405 (\$1.70 per boe) compared to \$394,462 (\$2.12 per boe) for the third quarter of fiscal 2008. During the third quarter of fiscal 2009, a total of \$247,582 (2008 – \$239,259) of corporate expenses directly relating to exploration and development activities were capitalized.

General and administrative expenses for the nine months ended June 30, 2009 were \$1,417,288 (\$2.11 per boe) compared to \$1,106,143 (\$2.11 per boe) for the nine months ended June 30, 2008. The increase in general and administrative expenses is due to payments made during the period under the Company's incentive compensation program. During the nine months ended June 30, 2009, a total of \$955,855 (2008 – \$665,332) of corporate expenses directly relating to exploration and development activities were capitalized.

The Company initiated an Employee Stock Savings Plan ("ESSP") where employees may contribute up to 5% of their base salaries towards the purchase of Company shares and the Company matches these contributions. The Company's matching contribution for the three and nine months ended June 30, 2009 were \$16,924 and \$50,372 respectively. The Company's matching contribution is included in general and administrative expenses.

**Interest Expense**

Interest expense for the third quarter of fiscal 2009 was \$161,577 compared to \$295,987 for the prior year.

Interest expense for the nine months ended June 30, 2009 was \$549,208 compared to \$1,088,726 for the same period a year ago. Lower interest rates and decreased debt are responsible for the decrease in interest expense.

**Financial Derivative Contracts**

From time to time the Company will use financial derivative contracts to manage its exposure to fluctuations in commodity prices and protect cash flow for use on operating and capital expenditures. The volatility in commodity prices can lead to significant changes in the mark-to-market position of these contracts. There were no financial derivative contracts outstanding at any time during the three months ended June 30, 2009. Unrealized losses representing the change in mark-to-market value of the outstanding financial derivative contracts were \$704,246 for the three months ended June 30, 2008. Realized losses resulting from cash settlements of financial derivative contracts were \$475,410 for the third quarter of fiscal 2008.

During the nine months ended June 30, 2009, unrealized losses on financial derivative contracts of \$78,123 were offset by realized gains of \$55,122. Unrealized and realized losses for the nine months ended June 30, 2008 were \$2,214,225 and \$358,844 respectively.

There were no financial derivative contracts outstanding as at June 30, 2009.

**Stock-based Compensation**

During the third quarter of fiscal 2009, the Company expensed \$111,257 and capitalized \$90,992 of stock-based compensation related to outstanding stock options and warrants. In the same quarter of fiscal 2008 stock-based compensation of \$96,550 was expensed and \$51,959 was capitalized.

During the nine months ended June 30, 2009, stock-based compensation of \$320,297 was expensed and \$262,637 was capitalized. During the same period in the prior year, stock-based compensation of \$252,058 was expensed and \$135,645 was capitalized. The increase in stock-based compensation expense in fiscal 2009 is due to an increase in the number of unvested options outstanding over the period compared to the same period in the prior year along with additional compensation expense associated with the extension of the warrants.

**Depletion, Depreciation and Accretion**

The provision for depletion, depreciation and accretion for the third quarter of fiscal 2009 was \$4,805,754 (\$19.70 per boe) as compared to \$3,393,083 (\$18.27 per boe) for the third quarter of fiscal 2008.

The provision for depletion, depreciation and accretion for the nine months ended June 30, 2009 was \$13,180,747 (\$19.65 per boe) as compared to \$10,080,939 (\$19.27 per boe) for the nine months ended June 30, 2008. The increase in depletion is the result of increased production volumes and an increase in the petroleum and natural gas properties subject to depletion.

The petroleum and natural gas properties were subject to a ceiling test at June 30, 2009. No write-down was required under this calculation.

**Income Taxes**

At June 30, 2009, Yoho had an estimated total of \$65.9 million of tax pools available to reduce future taxable income and corporate income taxes. The future tax reduction for the third quarter of fiscal 2009 was \$624,252 compared to an expense of \$865,717 during the third quarter of fiscal 2008. The future income tax reduction in the third quarter of fiscal 2009 is the result of the net loss recorded for the period.

The future income tax reduction for the nine months ended June 30, 2009 was \$1,056,820 compared to an expense of \$480,751 for the nine months ended June 30, 2008. The future income tax expense in fiscal 2008 was smaller than expected due to a reduction of statutory income tax rates that was enacted during the period.

**Net Income (Loss)**

Net loss for the third quarter of fiscal 2009 was \$1,818,041 (\$0.09 per share basic and diluted). Net income for the third quarter of fiscal 2008 was \$2,142,389 (\$0.11 per share basic and diluted). A decrease in the prices received for petroleum and natural gas sales was responsible for the net loss in the current period. The reduced revenue was offset by an increase in production and a reduction in unrealized losses on financial derivative contracts in the period.

Net loss for the nine months ended June 30, 2009 was \$3,035,327 (\$0.15 per share basic and diluted) compared to net income of \$2,036,125 (\$0.11 per share basic and diluted) for the nine months ended June 30, 2008. Higher production was offset by lower prices resulting in a net loss for the nine months ended June 30, 2009 compared to net income for the nine months ended June 30, 2008.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>March 31</b>		<b>March 31</b>	
	2009	2008	2009	2008
<b>Net income (loss) per boe</b>				
Petroleum and natural gas sales	\$ 23.12	\$ 67.71	\$ 31.33	\$ 53.05
Royalties	(2.06)	(12.88)	(5.57)	(9.88)
Operating expenses	(4.07)	(6.34)	(4.71)	(5.98)
Processing fees	(4.48)	(3.37)	(4.06)	(3.46)
Operating netback	12.51	45.12	16.99	33.73
General and administrative	(1.70)	(2.12)	(2.11)	(2.11)
Interest	(0.66)	(1.59)	(0.82)	(1.96)
Realized gain (loss) on financial derivative contracts	-	(2.56)	0.08	(0.69)
Current taxes	(0.01)	(0.07)	(0.01)	(0.07)
Funds from operations	10.14	38.78	14.13	28.90
Depletion, depreciation and accretion	(19.70)	(18.27)	(19.65)	(19.27)
Non-cash interest and financing charges	-	-	-	(0.12)
Stock-based compensation	(0.46)	(0.52)	(0.48)	(0.48)
Unrealized loss on financial derivative contracts	-	(3.79)	(0.12)	(4.23)
Future income tax (expense) reduction	2.56	(4.66)	1.58	(0.92)
Net income (loss)	\$ (7.46)	\$ 11.54	\$ (4.54)	\$ 3.88

**Funds from Operations**

Funds from operations for the third quarter of fiscal 2009 were \$2,474,719 (\$0.12 per share basic and diluted). For the third quarter of fiscal 2008 funds from operations was \$7,201,985 (\$0.38 per share basic and \$0.36 per share diluted).

Funds from operations for the nine months ended June 30, 2009 were \$9,487,020 (\$0.46 per share basic and diluted) compared to \$15,129,098 (\$0.83 per share basic and \$0.81 per share diluted) in the same period a year ago.

The decreases in funds from operations and cash flow from operating activities were the result of lower prices received for petroleum and natural gas sales.

Yoho calculates funds from operations as follows:

	<b>Three Months Ended June 30</b>		<b>Nine Months Ended June 30</b>	
	2009	2008	2009	2008
Cash flow from operating activities	\$ 1,447,250	\$ 6,788,949	\$ 9,508,817	\$ 12,950,412
Asset retirement expenditures	207,331	-	227,501	49,593
Change in non-cash working capital	820,138	413,036	(249,297)	2,129,093
Funds from operations	<u>\$ 2,474,719</u>	<u>\$ 7,201,985</u>	<u>\$ 9,487,021</u>	<u>\$ 15,129,098</u>

**Capital Expenditures**

During the nine months ended June 30, 2009, Yoho has participated in drilling 15 (9.4 net) wells resulting in 13 (8.0 net) gas wells and 2 (1.4 net) wells which were dry and subsequently abandoned.

	<b>Nine Months Ended June 30, 2009</b>	<b>Nine Months Ended June 30, 2008</b>
Land	\$ 3,704,155	\$ 1,237,592
Seismic	127,736	652,857
Drilling and completion	7,863,786	8,506,335
Equipment and facilities	1,787,487	2,442,936
Other assets	1,058,249	721,684
Exploration and development expenditures	14,541,413	13,561,404
Corporate acquisitions	55,660	7,636,828
Property dispositions	(266,570)	-
Asset retirement costs and capitalized stock-based compensation	776,356	488,275
Total capital additions	<u>\$ 15,106,859</u>	<u>\$ 21,686,507</u>

**LIQUIDITY AND CAPITAL RESOURCES**

The Company has in place bank credit facilities which allow borrowings up to \$32 million under a revolving operating demand loan for general corporate purposes including capital expenditures. The advances are due on demand and bear interest at the bank's prime rate plus a margin ranging from 0.25% to 2.50% per annum based upon the Company's prior quarter debt to cash flow ratio. The effective interest rate for the three months ended June 30, 2009 was 3.5 percent (June 30, 2008 – 5.1 percent). The Company also has a Treasury Risk Line up to a maximum of \$1.3 million available for interest rate, foreign exchange and commodity price risk management. This obligation is to be settled based on contract maturities, payable from corporate cash flow. The credit facilities are secured by a \$75 million debenture with a floating charge over all assets and a negative pledge and undertaking to provide fixed charges on the Company's major producing petroleum and natural gas reserves. The available lending limits under the bank facilities are subject to periodic review and are based on the bank's

interpretation of the Company's reserves and future commodity prices. The next review is to be before October 31, 2009. At June 30, 2009, \$24.1 million (September 30, 2008 - \$15.9 million) was outstanding under the Company's bank credit facilities.

In June 2008, 500,000 warrants for flow-through common shares issued in conjunction with the subordinated loan facility were exercised for proceeds of \$1.4 million. Pursuant to the flow-through share agreement, the proceeds have been used to fund eligible exploratory activities.

The Company expects to fund the majority of its planned capital expenditures for fiscal 2009 with funds from operations. The Company actively manages the pace of its capital spending program by monitoring forecasted production and commodity prices and resulting funds generated by operations. Should circumstances affect funds generated from operations, Yoho is capable of adjusting its capital activity levels accordingly. At June 30, 2009, the Company has available undrawn credit facilities of \$7.9 million available to manage its working capital requirements. While Yoho is not currently planning to raise funds through new issues of equity, the Company may, should favourable terms be available, use new equity in the future to fund additional capital activity.

Yoho's exploration and development program for the three months ended June 30, 2009 was funded by funds from operations and bank debt.

## OUTSTANDING SHARES

As at August 18, 2009, Yoho had the following equity securities outstanding:

Common shares	20,495,486
Options to purchase common shares	1,820,000
Warrants to purchase common shares	1,092,226

The common shares trade on the TSXV under the symbol "YO".

## OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

Yoho has various contractual obligations and commitments arising in the normal course of operations and financing activities. These obligations and commitments have been considered when assessing the cash requirements in the above discussion of future liquidity.

At June 30, 2009, the Company is committed to future payments for operating leases and gas transportation agreements for fiscal years as detailed below:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Office lease	99,128	396,510	370,336	24,318
Gas transportation agreements	23,499	46,486	-	-

Under the flow-through share agreements entered into pursuant to the exercise of the Warrants in June 2008 the Company is required to incur eligible expenditures for the gross proceeds of \$1.4 million prior to December 31, 2009. These expenditures were renounced to the flow-through investor effective December 31, 2008. As of June 30, 2009, the Company has incurred all of the eligible expenditures required under this flow-through share agreement.

The Company does not have any arrangements or obligations that are not reflected in the consolidated financial statements.

## **RELATED PARTY TRANSACTIONS**

A company controlled by an officer and director has a one percent overriding royalty on certain lands held by the Company. This arrangement results from consulting work that the company performed on these properties previous to Yoho acquiring these lands in February 2005. The lands to which the overriding royalty is applicable are fixed by defined prospect boundaries and further land acquisitions by Yoho beyond those boundaries will not be subject to this overriding royalty. A total of \$16,823 was incurred under this royalty agreement during the nine months ended June 30, 2009.

Yoho also incurred a total of \$39,564 of legal fees to a law firm in which two of the Company's directors are partners. The legal fees related to general corporate matters, share issuances and acquisitions.

The Company's related party transactions are also disclosed in note 10 to the unaudited interim consolidated financial statements.

## **BUSINESS RISKS AND UNCERTAINTIES**

Yoho is exposed to numerous risks and uncertainties associated with the exploration for and development and acquisition of crude oil, natural gas and natural gas liquids. Primary risks include the uncertainty associated with exploration drilling, changes in production practices, product pricing, industry competition and government regulation.

Drilling activities are subject to numerous technical risks and uncertainties. Yoho attempts to minimize exploration risk by utilizing trained professional staff and conducting extensive geological and geophysical analysis prior to drilling wells.

External factors beyond the control of Yoho may affect the marketability of oil and gas produced. These factors include commodity prices and variations in the U.S./Canadian currency exchange rate, which in turn respond to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals. Yoho may periodically use derivative contracts to manage its exposure against the potential adverse impact of commodity price volatility.

Yoho may also be subject to certain cost pressures related to compliance with environmental regulations, both federally and provincially. The Federal Government has indicated its intent to develop regulations that would be in effect in 2010 to address industrial greenhouse gas emission. The Federal Government has also outlined national and sectoral reduction targets for several categories of air pollutants. In Alberta, green house gas regulations came into effect July 1, 2007, affecting facilities emitting more than 100 kilotonnes of CO<sub>2</sub>e annually. Yoho does not have an ownership in any facilities that are over the current threshold. Commencing July 1, 2008, the British Columbia carbon tax is being assessed at \$10/tonne of CO<sub>2</sub>e on fuel consumed in the province, increasing to \$30/tonne by July 1, 2012. The final outcome of changes to environmental regulations may adversely impact the Company's future net earnings, cash flow and capital projects.

Current worldwide credit events have resulted in unprecedented disruptions in the availability of credit on commercially acceptable terms. The Company continues to believe that its internally generated cash flow from operations, the flexibility of its capital expenditure programs and its existing credit facilities will provide sufficient liquidity to sustain its operations in the short, medium and long-term. Further, the Company believes that its counterparties currently have the financial capacity to settle outstanding obligations in the normal course of business.

Yoho monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, Yoho maintains a level of liability and property insurance which is believed to be adequate for

Yoho's size and activities, but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims.

On October 25, 2007, the Government of Alberta released its New Royalty Framework for Alberta. The New Royalty Framework is a framework of changes to Alberta's existing laws which encompass the existing Alberta oil and gas royalty regime and took effect on January 1, 2009. The recently enacted changes include new royalty formulas for conventional crude oil and natural gas that are to operate on sliding scales ranging up to 50% determined by commodity prices and well productivity.

On November 19, 2008, the Government of Alberta announced that it will allow companies drilling wells after January 1, 2009 in the 1,000m to 3,500m depth range to choose either the proposed New Royalty Framework or new "transitional" royalty rates which will be closer to the "old" royalty rates. This transition option will be effective for 5 years. On November 21, 2008, the Government of Alberta announced that all wells drilled between November 19, 2008 and December 31, 2008 would also be eligible for the transitional royalty rates option.

On March 2, 2009, the Government of Alberta announced a three-point incentive program to stimulate new and continued economic activity in Alberta which include a drilling royalty credit for new conventional oil and natural gas wells and a new well royalty incentive program.

The actual effect of the Alberta royalty rate changes on the Company will be determined based on, among other things, Alberta production rates, commodity prices, foreign exchange rates, Alberta product mix, service costs and the percentage of production from Alberta after January 1, 2009.

On August 7, 2009, the Government of British Columbia announced a new well royalty incentive program which will apply a 2% royalty on the first year's revenue from wells drilled between September 2009 and June 2010.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In February, 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be required for publicly accountable enterprises' interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Yoho will be required to begin reporting under IFRS for its fiscal year beginning October 1, 2011. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The International Accounting Standards Board issued an amendment to IFRS 1 First Time Adoption of International Reporting Standards in July 2009. The amendment allows an entity that used full cost accounting under its previous GAAP to elect, at its time of adoption, to measure exploration and evaluation assets at the amount determined under the entity's previous GAAP and to measure oil and gas assets in the development or production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date. This election is expected to reduce the administrative burden in the transition from the current Canadian Accounting Guideline 16 to IFRS.

The Company is progressing with its evaluation of the impact of the changeover to IFRS and is developing a changeover plan. This plan, when finalized, will include an analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Company anticipates completing its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements, by September 30, 2009.

**SUPPLEMENTAL QUARTERLY INFORMATION**

The following tables summarize key financial and operating information for the periods indicated.

	Three Months Ended			
	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
<b>Petroleum and natural gas sales</b>	5,642,092	6,642,265	8,735,843	12,291,886
Cash flow from operating activities	1,447,250	3,270,187	4,791,380	8,905,184
Funds from operations	2,474,719	2,590,940	4,421,362	6,875,605
per share (basic)	0.12	0.13	0.21	0.33
per share (diluted)	0.12	0.13	0.21	0.32
Net income (loss)	(1,818,041)	(1,360,826)	143,540	3,174,337
per share (basic)	(0.09)	(0.07)	0.01	0.15
per share (diluted)	(0.09)	(0.07)	0.01	0.15
Net capital expenditures	3,191,874	5,695,449	5,387,520	4,603,848
Acquisition	55,660	-	-	305,337
Total assets	93,171,731	94,947,050	94,639,313	93,579,879
Production (boe/d)	2,682	2,408	2,285	2,427
Average prices:				
Natural gas (\$/mcf)	3.28	4.88	6.75	8.23
Light oil & NGL (\$/bbl)	40.71	43.52	52.25	94.55
Heavy oil (\$/bbl)	51.38	26.33	37.44	91.15

	Three Months Ended			
	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
<b>Petroleum and natural gas sales</b>	12,575,292	8,455,505	6,730,222	5,574,279
Cash flow from operating activities	6,788,949	2,737,367	3,424,096	3,150,331
Funds from operations	7,201,985	4,658,134	3,268,979	2,503,269
per share (basic)	0.38	0.26	0.19	0.16
per share (diluted)	0.36	0.25	0.19	0.14
Net income (loss)	2,142,389	(11,762)	(94,502)	(5,854,228)
per share (basic)	0.11	-	(0.01)	(0.36)
per share (diluted)	0.11	-	(0.01)	(0.36)
Net capital expenditures	3,573,239	6,878,814	3,109,351	4,149,398
Acquisition	7,636,828	-	-	(51,470)
Total assets	95,197,096	84,713,094	78,750,735	78,587,977
Production (boe/d)	2,041	1,840	1,850	1,711
Average prices:				
Natural gas (\$/mcf)	10.63	7.96	6.31	5.35
Light oil & NGL (\$/bbl)	95.08	71.50	62.01	59.10
Heavy oil (\$/bbl)	85.97	57.13	33.66	39.83

Significant factors and trends that have impacted the Company's results during the past eight fiscal quarters include the following:

- Revenue and royalties were significantly impacted by underlying commodity prices.
- The Company's successful drilling activities have contributed to increases in production.
- The acquisition of Vision 2000 Exploration Ltd. in fiscal 2008 has also contributed to higher production and revenue.
- The Company's operating costs and capital expenditures were subject to inflationary pressures brought on by increasing demand for services and supplies within the Canadian oil and gas industry. These pressures began easing with the quarter ended December 31, 2008 and may not be a significant factor in future quarters.

## **Outlook**

Yoho's current estimate of fiscal Q4 production is 2,400 boe per day, with production currently impacted by plant turnarounds in various areas and the rupture of a third party major trunk line in northern Alberta. Repairs to the pipeline are currently underway and production is anticipated to be restored in early September 2009.

With reduced natural gas prices, Yoho's capital program for fiscal 2009 will total between \$15 and \$16 million. During the fourth fiscal quarter, Yoho will continue to focus on land acquisition and the evaluation of both property and corporate acquisitions. The Company is preparing for the upcoming winter drilling season and is reviewing capital allocation by province in light of recent royalty announcements.