

## WESCAN ENERGY CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of WesCan Energy Corp. ("WesCan" or the "Company") dated November 23, 2017, which includes its subsidiaries, is for the three and six months ended September 30, 2017. For a full understanding of the financial condition and results of operations of the Company, the MD&A should be read in conjunction with the Company's audited consolidated financial statements at March 31, 2017 together with the documents filed on SEDAR, including historical financial statements and MD&A. These documents are available at [www.sedar.com](http://www.sedar.com).

#### DESCRIPTION OF BUSINESS

WesCan is an evolving exploration and production company with a key objective of providing shareholders with attractive longer term sustainability by developing and exploiting the Company's acquired assets at east-central, Alberta in a financially disciplined manner and by acquiring and consolidating additional oil and gas assets that are analogous to its infrastructure and focus area(s). WesCan's assets are comprised primarily of 100% operated oil-weighted properties characterized by multi-zone crude oil reservoirs with relatively low declines, numerous low risk development drilling locations and the potential for high quality waterflood projects. WesCan will continue to identify and actively pursue strategic acquisitions with synergistic characteristics of long life producing assets and opportunities with significant low risk, upside potential.

#### RESULTS OF OPERATIONS

##### PRODUCTION

	Three months ended			Six months ended		
	September 30			September 30		
	2017	2016	% Change	2017	2016	% Change
Total BOE	9,861	10,965	(10)	19,727	20,870	(5)
Oil & NGL (BBL/D)	84	93	(10)	83	184	(55)
Natural Gas (MCF/D)	139	157	(11)	146	272	(46)
Total (BOE/D)	107	119	(10)	108	229	(53)
Oil & NGL % of Production	78%	78%		77%	80%	

Oil production decreased 55% from 184 BBL/D in the first six months of 2016 to 83 BBL/D in the first six months of 2017. Natural declines contributed to the reduction together with a decrease in production resulting from various mechanical failures of three wells during the current period. The respective wells subsequently resumed production in early November. The associated natural gas production decreased 46% from 272 MCF/D in 2016 to 146 MCF/D in 2017.

## REVENUE

	Three months ended			Six months ended		
	September 30			September 30		
	2017	2016	% Change	2017	2016	% Change
Oil & NGL Sales (\$)	372,742	359,622	4	745,658	705,140	6
Natural Gas Sales (\$)	18,836	27,977	(33)	52,849	38,753	36
Oil & Natural Gas Sales (\$)	391,578	387,599	1	798,507	743,893	7

A 16% increase in the realized price for crude oil from \$42.49 per BBL during the first six months of 2016 to \$49.44 per BBL for the same period of 2017 overcame a 55% drop in the production rate of oil that resulted in a 6% increase in oil and NGL revenues. The 36% increase in natural gas revenues occurred largely as a result of an increase in the realized price per MCF. The realized price for an MCF of natural gas was \$1.57 in the first six months of 2016. The realized price for an MCF of natural gas for the same period in 2017 was \$1.98.

## PRICES

	Six months ended		
	2017	2016	% Change
<b>Average Benchmark Prices:</b>			
WTI crude oil (US\$/BBL)	49.50	41.50	19
US\$/CDN\$ exchange rate	0.77	0.76	1
WCS crude oil (CDN\$/BBL)	49.25	36.85	34
AECO daily spot (\$/GJ)	2.60	1.90	37
<b>Average Realized Prices:</b>			
Light and medium oil (\$/BBL)	49.44	42.49	16
Natural gas (\$/MCF)	1.98	1.57	26
Average price (\$/BOE)	30.66	25.96	18

WTI crude oil traded up 19% from an average price of \$41.50 (US\$/BBL) during 2016 to an average price of \$49.50 (\$US/BBL) during 2017. WCS crude oil traded up 34% from an average price of \$36.85 (\$CDN/BBL) during 2016 to an average price of \$49.25 (\$CDN/BBL) during 2017 as the differentials narrowed. The average realized price for AECO natural gas increased 37% from \$1.90/MCF during 2016 to \$2.60/MCF during 2017.

## ROYALTIES

	Three months ended			Six months ended		
	September 30			September 30		
			%			%
(\$ except BOE)	2017	2016	Change	2017	2016	Change
Crown Royalties	4,985	6,348	(21)	9,423	6,348	48
Freehold Royalties	37,859	37,710	0	77,926	75,447	3
Royalty Expense	42,844	44,058	(3)	87,349	81,795	7
Royalty Expense as a % of Sales	11.0%	11.4%		10.9%	11.0%	
Royalty Expense per BOE	4.34	4.02		4.43	3.92	

The 7% increase in royalty expense from \$81,795 in the first six months of 2016 to \$87,349 for the same period in 2017 is attributable to the 16% increase in the price received for a barrel of oil.

## OPERATING EXPENSE

	Three months ended			Six months ended		
	September 30			September 30		
			%			%
(\$ except BOE)	2017	2016	Change	2017	2016	Change
Operating costs	233,911	180,154	30	427,959	391,876	9
Operating costs as a % of Sales	59.7%	45.5%		53.6%	52.7%	
Operating costs per BOE	23.72	16.43		21.69	18.78	

During the first six months of 2017, the Company expensed \$113,549 of costs associated with the workovers of two wells. Costs to workover or re-enter existing wells are expensed to this account and not capitalized.

**GENERAL AND ADMINISTRATIVE EXPENSE ("G&A")**

	Three months ended			Six months ended		
	September 30			September 30		
	2017	2016	% Change	2017	2016	% Change
(\$ except BOE)						
Gross G&A	118,517	108,255	9	258,487	208,049	24
Capitalized G&A	-	-	-	-	-	-
Net G&A expense	118,517	108,255	9	258,487	208,049	24
Net G&A expense per BOE	12.02	9.87		13.10	9.97	

Additional staff engaged in January of 2017 resulted in the 24% increase in G&A expenses for the first six months of 2017 as compared to the same period of 2016. The Company does not capitalize any G&A expenses.

**INTEREST AND FINANCE EXPENSE**

Interest expense is generated entirely by the interest payable on the convertible loans outstanding. The Company has no bank debt.

**NETBACKS**

	Three months ended			Six months ended		
	September 30			September 30		
	2017	2016	% Change	2017	2016	% Change
(\$ / BOE)						
Oil and Natural Gas Sales	39.71	35.35	12	40.48	35.64	14
Royalties	4.34	4.02	8	4.43	3.92	13
Operating costs	23.72	16.43	44	21.69	18.78	15
Operating Netback	11.65	14.90	59	14.36	12.94	59

Operating netbacks per BOE increased 59% from \$12.94/BOE in 2016 to \$15.91/BOE in 2017 largely due to the 18% increase for the price per BOE of oil and natural gas.

**DEPLETION, DEPRECIATION AND ACCRETION**

	Three months ended			Six months ended		
	September 30			September 30		
			%			%
(\$ except BOE)	2017	2016	Change	2017	2016	Chang
Depletion	128,000	144,882		241,000	271,155	
Depreciation	21,837	23,269		44,189	43,136	
Accretion	8,000	7,815		16,000	15,630	
DD&A	157,837	175,966	(10)	301,189	329,921	(9)
DD&A per BOE	16.01	16.04		15.27	15.83	

**IMPAIRMENT**

Impairment is recognized when the carrying value of an asset or group of assets exceeds its recoverable amount, defined as the higher of its value in use or fair value less costs of disposal. Any asset impairment that is recorded is recoverable to its original value less any associated DD&A expense should there be indicators that the recoverable amount of the asset has increased in value since the time of recording the initial impairment.

As at June 30, 2017, the Company evaluated its developed and producing (“D&P”) assets and exploration and evaluation (“E&E”) assets on a cash generating unit basis for indicators of any potential impairment or related recovery. As a result of this assessment, no indicators were identified and no impairment or related reversal was recorded on the Company’s D&P assets and E&E assets for the three months ended June 30, 2017.

**FUNDS FROM OPERATIONS**

	Three months ended		Six months ended	
	September 30		September 30	
	2017	2016	2017	2016
(\$ except per share amount)				
Cash flow from (used in) operating activities	(3,694)	55,132	24,712	62,670
Changes in non-cash working capital	(19,909)	(32,813)	(10,725)	(123,362)
Funds from operations	(23,603)	22,319	13,987	(60,692)
Per share - basic / diluted	(0.00)	0.00	0.00	(0.00)

## CAPITAL EXPENDITURES

\$	Three months ended			Six months ended		
	September 30			September 30		
	2017	2016	% Change	2017	2016	% Change
Acquisition of oil and gas assets	-	-	-	-	-	-
Expenditures on E&E assets	-	-	-	-	-	-
Total capital expenditures	-	-	-	-	-	-

The Company did not incur any capital expenditures during the first six months of 2016 or 2017.

## DECOMMISSIONING LIABILITIES

(\$)	September 30	March 31
	2017	2017
Balance, beginning of the year	1,472,536	1,619,331
Accretion	16,000	31,260
Change in estimates	-	(178,055)
Balance, end of year	1,488,536	1,472,536
Less: current portion	(60,448)	(60,448)
<b>Long-term portion</b>	<b>1,428,088</b>	<b>1,412,088</b>

## CAPITAL RESOURCES AND LIQUIDITY

WesCan's major source of liquidity has been the issuance of equity capital. The Company obtains equity capital financing from private placement offerings of shares and share purchase warrants, and the exercise of share purchase warrants and stock options. The Company conducts private placement equity financings from time-to-time, based on cash flow needs and subject to investor interest.

In order to continue as a going concern and meet the Company commitments and current obligations, the Company will require additional equity financings during the next twelve months. At September 30, 2017, the Company's working capital deficiency was \$1,469,144 (March 31, 2017 - \$1,696,776).

Furthermore, additional equity financing will be required in order to carry out the exploration and development necessary to achieve a self-sustaining level of production and oil reserves, and achieve our oil and gas business objectives. Additional financing will be required to carry out a drilling program sufficient to attain a self-sustaining level of revenue. There is no assurance that we will be successful in obtaining any such financing.

The Company has traditionally supplemented equity financing from time to time by obtaining loans from third parties. These were used to provide interim, short-term financings to meet day-to-day cashflow requirements and are not intended to be a long-term source of capital. At September 30, 2017, the Company has convertible loans owing to unrelated parties in the amount of \$1,121,205, including accrued interest. These loans are due on demand and bear interest of up to 10% per annum. They are unsecured

and have no fixed re-payment terms. The conversion of the loans depends on the terms of a future private placement, which has not yet been determined. As a result, the Company is unable to estimate the allocation of the value between the debt and the equity components. No value is ascribed to the equity component of these convertible loans.

Our ability to obtain financing is sensitive to economic factors beyond the control of management. Declines in the Canadian dollar, commodities prices, changes in interest rates and the continued economic concerns or disruptions could significantly affect our ability to obtain adequate financing.

The Company had no long-term debt or long-term financial liabilities outstanding at September 30, 2017.

#### SUMMARY OF QUARTERLY INFORMATION

Quarters ended	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>OPERATING</b>								
Average daily production								
Oil (BBL/D)	84	83	101	91	93	80	98	103
Natural gas ((MCF/D)	139	151	167	138	157	81	105	109
Total BOE (BOE/D)	107	108	129	114	119	94	115	121
Average sales price								
Oil (\$/BBL)	49.44	49.54	47.95	47.50	42.48	54.67	27.59	37.92
Natural gas (\$/MCF)	1.98	2.47	2.42	2.73	1.97	2.50	1.45	2.16
Total (\$/BOE)	30.66	41.44	40.74	40.95	35.39	55.50	24.72	34.01
Operating netback (\$/BOE)								
Oil & gas sales	30.92	41.44	40.74	40.95	35.39	55.50	24.72	34.01
Royalty expense	3.93	4.53	4.54	4.67	4.02	10.85	2.45	5.46
Operating expense	21.52	19.76	26.35	21.90	16.45	30.06	28.84	33.50
Netback	14.48	17.15	9.85	14.38	14.92	14.59	(6.57)	(4.95)
<b>FINANCIAL</b>								
Oil & gas sales	391,578	406,929	420,482	428,175	387,599	192,601	262,264	378,010
Funds from operations	(3,694)	28,406	22,891	31,350	55,132	(55,791)	(174,331)	149,837
Per share - Basic/Diluted	(0.00)	0.00	0.00	0.00	0.00	(0.00)	(0.01)	0.01
Cash flow from (used in)	(23,603)	37,590	15,231	71,953	22,319	(31,090)	(118,017)	(149,837)
Per share – Basic/Diluted	(0.00)	0.00	0.00	0.00	0.00	(0.00)	(0.01)	(0.01)
Net income (loss)	(161,567)	(130,512)	1,601,696	(86,620)	(123,539)	(48,509)	3,369,483	(189,685)
Per share – Basic/Diluted	(0.00)	(0.01)	0.07	(0.00)	(0.01)	(0.00)	0.15	(0.01)
Capital expenditures	-	-	-	-	-	-	-	-
Total Assets	7,307,778	7,429,229	7,581,508	6,260,122	6,332,349	6,477,227	6,689,063	3,245,234
Working capital (deficiency)	(1,469,144)	(1,685,834)	(1,696,776)	(2,241,224)	(2,303,102)	(1,858,769)	(2,331,342)	(2,151,938)
Shareholders' Equity	3,953,823	3,894,966	4,025,477	2,064,050	2,150,671	(779,609)	2,423,781	(502,769)
Shares Outstanding	24,692,991	21,753,991	21,753,991	21,753,991	21,753,991	21,753,991	21,753,991	21,753,991

The most important trend over the last eight quarters has been the increase in the price of oil from a low of \$27.59/BBL on Q4 of 2016 to a high of \$49.44/BBL in Q2 of 2017. The price of natural gas rose from a low of \$1.45/MCF in 2016 to a high of \$2.47/MCF in 2017 and at Q2 of this year down to \$1.98. Netbacks per BOE bottomed out in 2016 to a negative \$4.95 to a positive of \$17.15 this year.

## ***CRITICAL ACCOUNTING ESTIMATES***

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the recoverability of the carrying value of exploration and evaluation assets, estimates of oil and natural gas reserves, fair value measurements for financial instruments and share-based payments and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, provision for doubtful accounts, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Management relies on the estimate of reserves as prepared by the Company's independent qualified reserves evaluator. The process of estimating reserves is critical to several accounting estimates. The process of estimating reserves is complex and requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development and production activities becomes available and as economic conditions impact crude oil and natural gas prices, operating expense, royalty burden changes, and future development costs charges. Reserve estimates impact net income through depreciation and impairment of petroleum and natural gas properties. Revision or changes in the reserve estimates can have either a positive or a negative impact on net income of the Company.

## ***RESERVES ESTIMATES***

Commercial petroleum reserves are determined based on estimates of petroleum-in-place, recovery factors and future oil and natural gas prices and costs. WesCan engages an independent qualified reserve evaluator to evaluate all of the Company's oil and natural gas reserves at each year-end.

Reserve adjustments are made annually based on actual oil and natural gas volumes produced, the results from capital programs, revisions to previous estimates, new discoveries and acquisitions and dispositions made during the year and the effect of changes in forecast future crude oil and natural gas prices. There are a number of estimates and assumptions that affect the process of evaluating reserves.

Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids determined to be economically recoverable under existing economic and operating conditions with a high degree of certainty (at least 90 percent) those quantities will be exceeded. Proved plus probable reserves are the estimated quantities of crude oil, natural gas and natural gas liquids determined to be economically recoverable under existing economic and operating conditions with a 50 percent certainty those quantities will be exceeded. WesCan reports production and reserve quantities in accordance with Canadian practices and specifically in accordance with "Standards of Disclosure for Oil and Gas Activities"

("NI 51-101").

The estimate of proved plus probable reserves is an essential part of the depletion calculation, the impairment test and hence the recorded amount of oil and gas assets. WesCan cautions users of this information that the process of estimating crude oil and natural gas reserves is subject to a level of uncertainty. The reserves are based on current and forecast economic and operating conditions therefore, changes can be made to future assessments as a result of a number of factors, which can include commodity prices, new technology, changing economic conditions, and future reservoir performance and forecast development activity.

### **Recoverability of Asset Carrying Values**

WesCan assesses its property, plant and equipment ("PP&E") for impairment by comparing the carrying amount to the recoverable amount of the underlying assets. The determination of the recoverable amount involves estimating the higher of an asset's fair value less costs to sell or its value-in-use, the latter of which is based on its discounted future cash flows using an applicable discount rate. Future cash flows are calculated based on estimates of future commodity prices and inflation and are discounted based on Management's current assessment of market conditions.

### **Recoverability of Exploration and Evaluation Assets**

Exploration and evaluation ("E&E") assets are assessed for impairment by comparing the carrying amount to the recoverable amount. The assessment of the recoverable amount involves a number of assumptions, including the timing, likelihood and amount of commercial production, further resource assessment plans, and future revenue and costs expected from the asset, if any.

## **DECOMMISSIONING LIABILITIES**

Decommissioning liabilities are the present value of management's estimate of future costs to be incurred to properly abandon and reclaim the Company's properties. Accretion expense is the increase in the decommissioning liabilities resulting from the passage of time. Decommissioning liabilities increased to \$1,488,536 as at September 30, 2017 from \$1,472,536 as at March 31, 2017.

## **ASSET RETIREMENT OBLIGATIONS**

WesCan recognizes a provision for future abandonment activities in the consolidated financial statements at the net present value, discounted at the risk-free rate, of the estimated future expenditures required to settle the estimated obligation at the balance sheet date. The measurement of the asset retirement obligation ("ARO") involves the use of estimates and assumptions including the discount rate, the amount and expected timing of future abandonment costs and the inflation rate related thereto. The estimates were made by Management considering current costs, technology and enacted legislation.

## ***FINANCIAL INSTRUMENT RISK***

Significant sources of financial instrument risk are detailed as follows:

### **Interest Rate Risk**

Interest rates applicable on the loans payable are fixed and accordingly are not subject to interest rate volatility during the year.

### **Currency Risk**

The Company currently generates revenue from a natural gas well in the USA. Changes in the U.S. denominated value of the Canadian dollar could not impact the Canadian dollar cost of meeting any future obligations under that prospect and will affect the Canadian dollar-denominated value of natural gas production.

The Company is exposed to foreign currency risk on its U.S dollar denominated assets and financial liabilities. At June 30, 2017 the Canadian dollar cost of paying the Company's US dollar denominated liabilities and property payment commitments would have no material impact with a 1% increase in the value of the US dollar relative to the Canadian dollar.

### **Commodity Price Risk**

The Company is exposed to material oil and gas commodity price risks. A relative decrease in the price of oil and gas would reduce the Company's cash flows, reduce the realizable market value of the Company's oil and gas assets, reduce the Company's economic reserves, and make it more difficult for the Company to raise the equity capital required to meet its commitments and carry out its development-stage business plans. The Company sells its production on the spot market. Management has assessed that the Company's degree of exposure to commodity price risk is material, however, it remains consistent with our development-stage oil and gas operations.

### **Liquidity Risk**

The Company faces material liquidity risk in that it has approximately \$744,214 in payables to trade and other payables to unrelated parties overdue at September 30, 2017 and insufficient cash on hand to satisfy those debts should they be demanded. The Company is seeking equity financing in order to obtain additional liquidity to mitigate and resolve this risk.

## ***OUTLOOK***

Management will continue to focus its attention on the future development and exploitation of the property and is confident that the underlying reserves will now be realized with the intended disciplines and experience of capturing the future growth potential of the property. Subsequent to September 30, the Company re-completed three shut-in wells and restored production rates to the level achieved prior

to the wells being shut-in. The continued pursuit of identifying low cost optimization projects in addition to other re-activations of shut-in wells will continue to increase the Company's cash flow while providing attractive payouts and return on capital.

Further, Management is actively pursuing a number of equity financing opportunities and at the same time evaluating two new property acquisitions which are anticipated to close in the latter part of 2017 or early part of 2018.