

## 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 29, 2018, which includes its subsidiaries, is for the three and six months ended September 30, 2018. 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, 2018 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 its shareholders with attractive, long term sustainability by developing and exploiting the Company's 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 of 100% operated, oil-weighted properties characterized by multi-zone oil reservoirs with low declines that include a number of low risk, multi-lateral horizontal development drilling locations. WesCan continues to pursue and evaluate strategic acquisitions with synergistic characteristics of long life producing assets and opportunities with low risk, upside potential.

#### RESULTS OF OPERATIONS

##### PRODUCTION

PRODUCTION	Three months ended			Six months ended		
	September 30			September 30		
	2018	2017	% Change	2018	2017	% Change
Total BOE	9,482	9,861	(4)	23,956	19,727	21
Oil & NGL (BBL/D)	103	84	23	98	83	18
Natural Gas (MCF/D)	206	139	48	195	146	34
Total (BOE/D)	137	107	28	130	108	20
Oil & NGL % of Production	75%	78%		75%	77%	

Oil production increased 18% from 83 BBLs/D during the first six months of 2017 to 98 BBLs/D during the first six months of 2018. The associated natural gas production increased 34% from 146 MCF/D in 2017 to 195 MCF/D in 2018. Oil and NGL production as a percentage of total production was 75%.

## REVENUE

	Three months ended			Six months ended		
	September 30			September 30		
	2018	2017	% Change	2018	2017	% Change
Oil & NGL Sales (\$)	595,355	372,742	60	1,141,168	745,658	53
Natural Gas Sales (\$)	22,700	18,836	20	38,910	52,849	(26)
Oil & Natural Gas Sales (\$)	618,055	391,578	58	1,180,078	798,507	48

A 29% increase in the realized price for crude oil from \$49.44 per BBL during the first six months of 2017 to \$64.07 per BBL for the same period of 2018 resulted in a 53% increase in oil and NGL revenues. The 26% decrease in natural gas revenues occurred largely as a result of a decrease in the realized price per MCF. The realized price for an MCF of natural gas was \$1.98 in the first six months of 2017. The realized price for an MCF of natural gas for the same period in 2018 was \$1.09.

## PRICES

	Six months ended		
	2018	2017	% Change
<b>Average Benchmark Prices:</b>			
WTI crude oil (US\$/BBL)	66.95	49.50	35
US\$/CDN\$ exchange rate	0.78	0.77	1
WCS crude oil (CDN\$/BBL)	57.85	49.25	17
AECO daily spot (\$/GJ)	1.40	2.60	(46)
<b>Average Realized Prices:</b>			
Light and medium oil (\$/BBL)	64.07	49.44	29
Natural gas (\$/MCF)	1.09	1.98	(45)
Average price (\$/BOE)	49.10	30.66	60

WTI crude oil traded up 35% from an average price of \$49.50 (US\$/BBL) during 2017 to an average price of \$66.95 (\$US/BBL) during 2018. WCS crude oil traded up 17% from an average price of \$49.25 (\$CDN/BBL) during 2017 to an average price of \$57.85 (\$CDN/BBL) during 2018 as the differentials narrowed. The AECO spot price for natural gas decreased 46% from \$2.60/MCF during 2017 to \$1.40/MCF during 2018.

**ROYALTIES**

(\$ except BOE)	Three months ended			Six months ended		
	September 30			September 30		
	2018	2017	% Change	2018	2017	% Change
Crown Royalties	11,479	4,985	130	9,704	9,423	3
Freehold Royalties	34,624	37,859	9	98,525	77,926	26
Royalty Expense	46,103	42,844	8	108,229	87,349	23
Royalty Expense as a % of Sales	7.0%	11.0%		9.0%	10.9%	
Royalty Expense per BOE	4.86	4.33		4.52	4.43	

The 23% increase in royalty expense from \$87,349 in the first six months of 2017 to 108,229 for the same period in 2018 is attributable to the 29% increase in the price received for a barrel of oil.

**OPERATING EXPENSE**

(\$ except BOE)	Three months ended			Six months ended		
	September 30			September 30		
	2018	2017	Change	2018	2017	% Change
Operating costs	261,413	233,911	12	571,214	427,959	33
Operating costs as a % of Sales	42.0%	59.7%		48.0%	53.6%	
Operating costs per BOE	27.57	23.72		23.84	21.69	

IFRS rules require that the cost to re-enter or workover existing wells are to be expensed and not capitalized into property plant and equipment. During the period ended September 30, 2018 the Company expended \$172,104 on the re-activation of four shut-in wells (2017 - \$113,549) on its core property. These additional expenses resulted in a decrease in total operating costs as a percentage of revenues moving from 59.7% to 42.0% over both periods.

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

	Three months ended			Six months ended		
	September 30			September 30		
	2018	2017	% Change	2018	2017	% Change
(\$ except BOE)						
Gross G&A	138,320	118,517	17	259,854	258,487	1
Capitalized G&A	-	-	-	-	-	-
Net G&A expense	138,320	118,517	17	259,854	258,487	1
Net G&A expense per BOE	14.59	12.02		10.85	13.10	

Payment of the Company's annual audit fee in Q2 resulted in a direct increase of G&A costs for the current period.

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		
	2018	2017	% Change	2018	2017	% Change
(\$ / BOE)						
Oil and Natural Gas Sales	65.18	39.71	32	49.26	40.48	22
Royalties	4.86	4.34	7	4.52	4.43	2
Operating costs	27.57	23.72	16	23.84	21.69	10
Operating Netback	32.75	11.65	57	20.90	14.36	45

Operating netbacks per BOE increased 45% from \$14.36/BOE in 2017 to \$20.90/BOE in 2018 largely due to the 22% increase for the price received per BOE of oil and natural gas.

**DEPLETION, DEPRECIATION AND ACCRETION**

(\$ except BOE)	Three months ended			Six months ended		
	September 30			September 30		
	2018	2017	% Change	2018	2017	% Change
Depletion	135,474	128,000	6	255,448	241,000	6
Depreciation	21,226	21,837	(3)	42,452	44,189	(4)
Accretion	8,200	8,000	2	16,400	16,000	3
DD&A	164,900	157,837	4	314,300	301,189	4
DD&A per BOE	17.39	16.01		13.12	15.27	

**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 September 30, 2018, 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 or E&E assets for the six months ended September 30, 2018.

**FUNDS FROM OPERATIONS**

(\$ except per share amount)	Three months ended		Six months ended	
	September 30		September 30	
	2018	2017	2018	2017
Cash flow from (used in) operating activities	172,219	(3,694)	240,781	24,712
Changes in non-cash working capital	70,926	(19,909)	(60,540)	(10,725)
Funds from operations	243,145	(23,603)	180,241	13,987
Per share - basic / diluted	\$0.01	(0.00)	0.00	0.00

**CAPITAL EXPENDITURES**

	Three months ended			Six months ended		
	September 30			September 30		
			%			%
(\$)	2018	2017	Change	2018	2017	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 2018 or 2017.

**DECOMMISSIONING LIABILITIES**

	September 30		March 31	
	2018		2018	
(\$)				
Balance, beginning of the year	1,579,962		1,472,536	
Accretion	16,400		32,000	
Change in estimates	-		75,426	
Balance, end of year	1,596,362		1,579,962	
Less: current portion	(60,448)		(60,448)	
<b>Long-term portion</b>	<b>1,535,914</b>		<b>1,519,514</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, 2018, the Company's working capital deficiency was \$804,269 (March 31, 2018 - \$1,449,763).

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, revenue and cash flow, and achieve our oil and gas business objectives. 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 loans 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, 2018, the Company has convertible loans owing to unrelated parties in the amount of \$767,830, 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 and convertible into equity at the option of both the Company and its Lenders. As a result, the Company is unable to estimate the allocation of value between the debt and the equity component, therefore, no value is ascribed to the equity component on the convertible aspect of these 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 as at September 30, 2018.

#### SUMMARY OF QUARTERLY INFORMATION

Quarters ended	2019			2018			2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>OPERATING</b>								
Average daily production								
Oil (BBL/D)	103	83	101	91	93	80	98	103
Natural gas ((MCF/D)	206	151	167	138	157	81	105	109
Total BOE (BOE/D)	137	108	129	114	119	94	115	121
Average sales price								
Oil (\$/BBL)	63.47	49.54	47.95	47.50	42.48	54.67	27.59	37.92
Natural gas (\$/MCF)	1.20	2.47	2.42	2.73	1.97	2.50	1.45	2.16
Total (\$/BOE)	48.97	41.44	40.74	40.95	35.39	55.50	24.72	34.01
Operating netback (\$/BOE)								
Oil & gas sales	65.18	41.44	40.74	40.95	35.39	55.50	24.72	34.01
Royalty expense	4.86	4.53	4.54	4.67	4.02	10.85	2.45	5.46
Operating expense	27.57	19.76	26.35	21.90	16.45	30.06	28.84	33.50
Netback	32.75	17.15	9.85	14.38	14.92	14.59	(6.57)	(4.95)
<b>FINANCIAL</b>								
Oil & gas sales	595,355	406,929	420,482	428,175	387,599	192,601	262,264	378,010
Funds from operations	243,145	28,406	22,891	31,350	55,132	(55,791)	(174,331)	149,837
Per share - Basic/Diluted	0.01	0.00	0.00	0.00	0.00	(0.00)	(0.01)	0.01
Cash flow from (used in)	172,219	37,590	15,231	71,953	22,319	(31,090)	(118,017)	(149,837)
Per share – Basic/Diluted	0.01	0.00	0.00	0.00	0.00	(0.00)	(0.01)	(0.01)
Net Income (loss)	4,755	(130,512)	1,601,696	(86,620)	(123,539)	(48,509)	3,369,483	(189,685)
Per share – Basic/Diluted	0.00	(0.00)	0.07	(0.00)	(0.01)	(0.00)	0.15	(0.01)
Capital expenditures	-	-	-	-	-	-	-	-
Total Assets	7,301,612	7,429,229	7,581,508	6,260,122	6,332,349	6,477,227	6,689,063	3,245,234
Working capital (deficiency)	(804,269)	(1,685,834)	(1,696,776)	(2,241,224)	(2,303,102)	(1,858,769)	(2,331,342)	(2,151,938)
Shareholders' Equity	3,998,450	3,894,966	4,025,477	2,064,050	2,150,671	(779,609)	2,423,781	(502,769)
Shares Outstanding	31,359,658	31,359,658	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 in Q4, 2016 to a high of \$63.47/BBL in Q2, 2018. The price of natural gas rose from a low of \$1.45/MCF in Q4, 2016 to a high of \$2.73/MCF in Q3, 2017. In Q2 of this year, natural gas was down to \$1.20/MCF. Netbacks per BOE bottomed out in 2016 to a -\$4.95 and increased substantially to \$32.75 in Q2 of 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 period. 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, 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 depletion 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 were \$1,596,362 as at September 30, 2018 and \$1,579,962 as at March 31, 2018.

## **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 September 30, 2018 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 the "development-stage" of our oil and gas operations.

### Liquidity Risk

The Company faces material liquidity risk in that it has approximately \$773,311 in payables to trade and other payables to unrelated parties due at September 30, 2018 with insufficient cash on hand to satisfy those debts should they be demanded. The Company is seeking additional equity financing(s) in order to obtain additional liquidity to mitigate and resolve this risk.

## ***OUTLOOK***

Management continues to focus its attention on the future development and exploitation of our core property and is confident that the underlying reserves will capture the future growth potential of the property. With the on-going focus of identifying low cost optimization projects and the re-activation of shut-in wells, such efforts will continue to increase the Company's cashflow while providing attractive payouts and return on capital.

In addition, Management is currently reviewing the geological and reservoir engineering evaluations for a number of new development drilling opportunities that exist on the Company's property. While the Company continues to further examine the overall potential of the project, management remains perceptive and vigilant of the international markets and the domestic commodity pricing environment. Such influences shall be prudently reviewed and evaluated prior to any significant capital expenditure with the objective of preserving our reserves and obtaining more favorable pricing for our resources.