

WESCAN ENERGY CORP.
CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER REPORT

For the three and six months ended

September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of Management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

WesCan Energy Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars – unaudited)

	September 30, 2018	March 31, 2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	716,319	400,408
Trade and other receivables (Note 4)	241,882	148,764
Prepaid expenses and deposits	4,778	9,560
Total current assets	962,979	558,732
Non-current assets		
Oil and gas properties (Note 5)	6,338,633	6,636,533
Total non-current assets	6,338,633	6,636,533
TOTAL ASSETS	7,301,612	7,195,265
LIABILITIES		
Current liabilities		
Trade and other payables	773,311	756,073
Payable to related parties (Note 6)	165,659	241,594
Convertible loans payable (Note 7)	767,830	950,384
Current portion of decommissioning provision (Note 8)	60,448	60,448
Total current liabilities	1,767,248	2,008,499
Non-current liabilities		
Decommissioning provision (Note 8)	1,535,914	1,519,514
Total liabilities	3,303,162	3,528,013
SHAREHOLDERS` EQUITY		
Share capital (Note 9)	13,584,017	13,170,267
Equity reserves (Note 9)	1,538,240	1,538,240
Deficit	(11,123,807)	(11,041,255)
Total shareholders` equity	3,998,450	3,667,252
TOTAL LIABILITIES AND SHAREHOLDERS` EQUITY	7,301,612	7,195,265

Approved and authorized for issue on behalf of the Board of Directors:

“Greg Busby”
Greg Busby, Director

“Richard D. Orman”
Richard D. Orman, Director

The accompanying notes are an integral part of these consolidated financial statements.

WesCan Energy Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months and six months ended
(Expressed in Canadian Dollars – unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2018 \$	2017 \$	2018 \$	2017 \$
REVENUE				
Petroleum and natural gas sales	618,055	391,578	1,180,078	798,507
Less: royalties	(46,103)	(42,844)	(108,229)	(87,349)
	571,952	348,734	1,071,849	711,158
EXPENSES				
Operating costs	261,413	233,911	571,214	427,959
Depletion and accretion	164,900	157,837	314,300	301,189
General and administrative	138,320	118,517	259,854	258,487
	564,633	510,265	1,145,368	987,635
Net loss from operating activities	7,319	(161,531)	(73,519)	(276,477)
Other income (expenses)				
Finance and Interest expense	(2,564)	(36)	(9,034)	(15,602)
Net gain (loss) and comprehensive gain (loss)	4,755	(161,567)	(82,553)	(292,079)
Basic and diluted loss per share (note 9 (f))	\$0.00	(\$0.01)	(\$0.00)	(\$0.01)
Weighted average number of common shares outstanding	31,359,658	23,219,465	31,359,658	23,219,465

The accompanying notes are an integral part of these consolidated financial statements.

WesCan Energy Corp.
Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)
For the three and six months ended
(Expressed in Canadian Dollars – unaudited)

September 30, 2018

	Share Capital		Equity Reserves	Deficit	Total
	Number of Shares	Amount \$			
Balance at March 31, 2017	31,359,658	13,170,267	1,538,240	(11,041,255)	3,667,252
Share subscriptions received	-	413,750		-	413,750
Net loss for the period	-	-	-	(82,553)	(82,553)
Balance at September 30, 2018	31,359,658	13,584,017	1,538,240	(11,123,807)	3,998,450

September 30, 2017

	Share Capital		Equity Reserves	Deficit	Total
	Number of Shares	Amount \$			
Balance at March 31, 2016	21,753,991	12,899,689	1,538,240	(10,412,452)	4,025,477
Share issue for debt (Note 9)	2,939,000	220,425	-	-	220,425
Net loss for the period	-	-	-	(292,079)	(292,079)
Balance at September 30, 2017	24,692,991	13,120,114	1,538,240	(10,704,531)	3,953,823

The accompanying notes are an integral part of these consolidated financial statements

WesCan Energy Corp.
Condensed Interim Consolidated Statements of Cash Flows
For the three and six months ended
(Expressed in Canadian Dollars – unaudited)

	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating activities				
Net gain (loss)	4,755	(161,567)	(82,553)	(292,079)
Non-cash items:				
Depletion	135,474	128,000	255,448	241,000
Depreciation	21,226	21,837	42,452	44,189
Accretion	8,200	8,000	16,400	16,000
Interest expense	2,564	36	9,034	15,602
	172,219	(3,694)	240,781	24,712
Change in non-cash working capital items:				
Increase in trade and other receivables	43,932	16,602	(125,072)	42,409
Increase in prepaid expenses and deposit	12,782	2,390	4,782	9,980
Increase (decrease) in trade and other payables	14,212	(38,901)	59,750	(63,114)
Net cash provided by (used in) operating activities	243,145	(23,603)	180,241	13,987
Investing activities				
Purchase of equipment	-	-	-	(1,903)
Expenditures on oil and gas properties	-	-	-	-
Net cash used in investing activities	-	-	-	(1,903)
Finance activities				
Shares issued for debt (Note 9)	-	220,425	-	220,425
Share subscription received	22,750	-	413,750	-
Loans received, net of repayments	(84,286)	(182,900)	(191,588)	(204,020)
Advances from (payments to) related parties	10,557	33,456	(75,935)	33,456
Net cash provided by financing activities	(50,979)	70,981	146,227	49,861
Change in cash and cash equivalents				
Cash and cash equivalents, beginning of period	192,166	47,378	326,468	61,945
	534,710	256,544	400,408	241,977
Cash and cash equivalents, end of period	726,876	303,922	726,876	303,922

The accompanying notes are an integral part of these consolidated financial statements.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

1. REPORTING ENTITY AND GOING CONCERN

Reporting entity

WesCan Energy Corp. (“WesCan” or the “Company”) changed its name from Great Pacific International Inc. effective October 4, 2012. WesCan was incorporated on November 4, 1993 under the Business Corporations Act (Alberta), Canada. WesCan is a junior public resource company in the business of oil and gas exploration, development and production with oil and gas operations and property interests in Alberta, Canada and Texas, U.S.A. The common shares of WesCan trade on the TSX Venture Exchange (“TSX-V”) under the symbol WCE. The Company’s registered office and mailing address is, Suite 2500, 520 – 5th Avenue S.W., Calgary, Alberta T2P 3R7.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and it will be able to realize assets and discharge liabilities in the ordinary course of operations. A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

At the Company has a working capital deficiency of \$804,266 and an accumulated deficit of \$11,123,807 since inception. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Accordingly, external financing will be required in order for the Company to continue as a going concern. In order to continue as a going concern, meet property payment, participation and lease obligations, discharge all liabilities, and meet all commitments the Company will need to raise additional funds through equity financing during the next fiscal year.

Furthermore, the Company will require additional financing to carry out the petroleum exploration and development required to offset production declines, increase oil and gas reserves and achieve a self-sustaining level of revenue. Management is actively pursuing new financings; however, there can be no assurance that it will be able to raise sufficient funds on acceptable terms. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate.

2. BASIS OF PRESENTATION

Basis of presentation

a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved for issuance by the Board of Directors on August 29, 2018.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for share-based payment transactions and financial instruments, which are measured at fair value.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Cont'd)

c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

d) Significant accounting estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. RECENT ACCOUNTING PRONOUNCEMENTS

There were no new or revised accounting standards applicable to the Company scheduled for mandatory adoption on April 1, 2015, and thus no standards were adopted in the current year.

New accounting standards issued but not yet effective

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements:

New accounting standards to be adopted April 1, 2018

IFRS 15 Revenue from Contracts with Customers:

As of April 1, 2018, the Company will be required to adopt IFRS 15 Revenue from Contracts with Customers. The new standard replaces IAS 11 Construction Contracts; IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The new standard dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity's contracts with customers.

IFRS 9 Financial Instruments:

As of April 1, 2018, the Company will be required to adopt IFRS 9 Financial Instruments, which is the result of the first phase of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has two classification categories: amortized cost and fair value. In addition, updates have also been applied surrounding hedge accounting requirements which are now more aligned with an entity's risk management activities.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (Cont'd)

IFRS 16 Leases:

As of April 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IAS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases.

The adoption of these future standards is not expected to have a material effect on the Company's future results and financial position.

4. TRADE AND OTHER RECEIVABLES

Amounts presented as trade and other receivables consist of the following balances:

	September 30, 2018	March 31, 2018
	\$	\$
Trade receivables from oil and gas property operators	238,014	144,896
Other receivables	3,868	3,868
Total	241,882	148,764

5. OIL AND GAS PROPERTIES

At March 31, 2017, the Company recorded a reversal of impairment of the oil and gas properties in the amount of \$1,515,071. The reversal of impairment resulted from a stabilization in market prices for crude oil and gas during the year. The recoverable amount of the CGU was determined using a value in use approach based on the 2017 year-end reserves report prepared by an independent engineer using a pre-tax discount rate of 15% for proved and probable reserves.

Cost	\$
As at March 31, 2017	8,206,164
Change in decommissioning liabilities (Note 8)	75,426
As at March 31, 2018	8,281,590
As at June 30, 2018	8,281,590
As at September 30, 2018	8,281,590
Depletion, depreciation and impairment	\$
As at March 31, 2017	(1,071,823)
Depletion and depreciation	(573,234)
As at March 31, 2018	(1,645,057)
Depletion and depreciation	(141,200)
As at June 30, 2018	(1,786,257)
Depletion and depreciation	(156,700)
As at September 30, 2018	(1,942,957)
Net book value	\$
As at March 31, 2017	7,134,341
As at March 31, 2018	6,636,533
As at June 30, 2018	6,495,333
As at September 30, 2018	6,338,633

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the period ended September 30, 2018 and 2017 not disclosed elsewhere in these consolidated financial statements are as follows:

Payable to related parties

Balances due to related parties consists of amounts owing to officers, directors (or to persons related to them or companies controlled by them) for services, travel expenses, and advances. These amounts are non-interest bearing, unsecured and due on demand, unless otherwise noted.

	September 30, 2018	March 31, 2018
	\$	\$
Related party payable for services	165,659	241,594

7. LOANS PAYABLE AND CONVERTIBLE LOANS PAYABLE

At September 30, 2018, the Company has short-term convertible loans payable to unrelated parties in the amount of \$767,830 (March 31, 2018 – \$950,384). These loans are due on demand, bear interest up to 10% per annum and are unsecured. During the year ended March 31, 2018, the Company made repayments of \$264,616 and issued 1,772,000 common shares to settle \$132,900 of the convertible loans payable. The loans are convertible at the option of the lenders on similar terms of future private placements. As the loans are all due on demand and the conversion price is expected to be at market, the Company has estimated that the debt component of the loans is equal to the face value and has therefore not ascribed any value to the equity components of these convertible loans.

During the year-ended March 31, 2018, the Company de-recognized \$265,643 of loan payables as the statutory of limitation period on such debt has passed and recorded as a gain on de-recognition of debt of the same amount.

8. DECOMMISSIONING PROVISION

The following table presents the reconciliation of the opening and closing aggregate carrying amounts of the decommissioning provision associated with the Company's oil and gas properties:

	September 30, 2018	March 31, 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)
Long-term portion	1,535,914	1,519,514

The present value of the decommissioning obligation of \$1,596,362 (March 31, 2018 - \$1,579,962) was calculated using an average risk-free rate of 2.25% (2018 – 2.46%) and inflation rate of 1.78% (2018 – 1.78%). The weighted average life of wells has been estimated at approximately 22 years (2018 – 23 years). At September 30, 2018, the undiscounted value of the obligation is \$1,966,400 (March 31, 2018 – \$1,935,236). Reclamation activities are expected to occur between 2018 and 2041.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

9. SHARE CAPITAL

Shares authorized, issued and outstanding at September 30, 2018 are as follows:

a) Authorized

An unlimited number of common shares without par value
An unlimited number of preferred shares without par value

b) Issued

	Number of common shares	Amount \$
Balance at March 31, 2017 and 2016	21,753,991	12,899,689
Shares issued for debt settlement ⁽ⁱ⁾	2,939,000	202,920
Shares issued for private placement ⁽ⁱⁱ⁾	6,666,667	500,000
Share subscription receivable		(7,500)
Share issuance costs	-	(11,092)
Balance at September 30, 2018	31,359,658	13,584,017

- (i) On September 7, 2017, the Company completed shares for debt settlements with various arms-length parties, issuing 1,772,000 common shares to settle \$132,900 of convertible loans payable and issuing 1,167,000 common shares with a fair value of \$70,020 to settle \$87,525 of accounts payable and recorded a gain on debt settlement of \$17,505.
- (ii) On March 8, 2018, the Company completed a non-brokered private placement, issuing 6,666,667 units at \$0.075 per unit for total proceeds of \$500,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share for a period of 24 months from the closing date at an exercise price of \$0.10 per share. The Company incurred share issuance costs of \$11,092 and issued 73,500 finders warrants in connection with the private placement. Each finders warrant will entitle the holder to purchase one common share for a period of 24 months from the closing date at an exercise price of \$0.10 per share. As at March 31, 2018, \$421,250 of the proceeds remained outstanding and were recorded as share subscriptions receivable of which \$413,750 was received subsequent to year-end.

c) Equity Reserves

Equity reserve items are recognized as a share-based payment expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

d) Share Purchase Warrants

A summary of share purchase warrants issued and exercised during the period ended September 30, 2018 and March 31, 2018 is as follows:

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Cont'd)

	September 30, 2018		March 31, 2018	
	Number of warrants	Weighted Average Exercise Price per warrant \$	Number of warrants	Weighted Average Exercise Price per warrant \$
Balance, beginning of year	-	-	-	-
Issued	6,740,167	0.10	6,740,167	0.10
Expired	-	-	-	-
Balance, outstanding and exercisable, end of period	6,740,167	0.10	6,740,167	0.10

e) Stock Options

The Company has established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to officers, directors, employees and persons providing investor-relations or consulting services up to a limit of 5% and 2% respectively of the Company's total number of issued and outstanding shares per year. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed 10 years from the grant date. The stock options vest immediately on the date of the grant or over a period of time as determined by the Board of Directors.

A summary of share purchase options cancelled, granted and exercised during the period ended September 30, 2018 and 2017 is as follows:

	September 30, 2018		March 31, 2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of year	1,300,000	0.06	1,300,000	0.06
Expired	-	-	-	-
Balance, end of period	1,300,000	0.06	1,300,000	0.06

A summary of stock options outstanding and exercisable at September 30, 2018 is as follows:

Exercise Price	Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted Average Remaining Life
\$ 0.06	October 24, 2013	October 24, 2018	1,300,000	1,300,000	0.07

f) Earnings (loss) per share

The diluted earnings per share calculation includes the impact of all warrants and stock options outstanding during the year. At March 31, 2018 and 2017, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks, including credit risk, capital market risk and liquidity risk, interest rate risk, commodity price risk and foreign exchange risk.

Financial instruments, consisting of trade and other receivables, trade and other payables, balances payable to related parties and former related parties, convertible loans payable, and loans payable, are recorded at amortized cost. Cash and cash equivalents are recorded at fair value. All of the fair value items are transacted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

	Financial instrument classification	September 30, 2018		March 31, 2018	
		Carrying Value	Estimated Fair value	Carrying Value	Estimated Fair value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	716,319	716,319	400,408	400,408
Trade and other receivables	Loans and receivables	241,882	241,882	148,764	148,764
Financial liabilities					
Trade and other payables	Other financial liabilities	773,311	773,311	756,073	756,073
Payable to related parties	Other financial liabilities	165,659	165,659	241,594	241,594
Convertible loans payable	Other financial liabilities	767,830	767,830	950,384	950,384

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy as following:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as of September 30, 2018 are as follows:

	Balance at September 30, 2018	Quoted Prices in Active Markets			Total
		For Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		\$	\$	\$	\$
Assets:					
Cash and cash equivalents	716,319	716,319	-	-	716,319

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (Cont'd)

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash and cash equivalents and trade and other receivables. Cash and cash equivalents are held in demand accounts at a Canadian chartered bank. The Company does not believe it is subject to any significant counterparty risk with respect to cash and cash equivalents.

Trade receivables typically arise from normal joint operating arrangements governing the Company's producing oil and gas properties and from cost-recovery billings. Credit valuations are performed on a regular basis and the consolidated financial statements take into account any requirement for an allowance for bad debts.

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure. The Company has an allowance for doubtful accounts of \$10,160 as at September 30, 2018 (2017 – \$10,160).

Capital market risk and liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company aims to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company faces material liquidity risk in that it has approximately \$773,000 in accounts payable and payable to related parties which are due at September 30, 2018, a working capital deficiency of \$804,266 and insufficient cash on hand to satisfy its debts should they be demanded (see Note 1).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Contractual undiscounted cash flow requirements for contractual obligations as at September 30, 2018 are due as follows:

	Due in 1-3 months \$	Due in 4-12 months \$	Due in 1-2 years \$	Due in >2 years \$	Total \$
Accounts payable and accrued liabilities	773,311	-	-	-	773,311
Payable to related parties	165,659	-	-	-	165,659
Convertible loans payable	767,830	-	-	-	767,830
	1,706,800	-	-	-	1,706,800

Interest rate risk

The Company's loans payable bear interest at a fixed rate. The Company does not believe its overall exposure to interest rate risk is significant and a 1% change in the interest rate would have an insignificant effect on net loss and comprehensive loss.

Commodity price risk

The Company is exposed to material oil and gas commodity price risk. 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. Management has

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)

assessed that the Company's degree of exposure to commodity price risk is material, but consistent with oil and gas business operations.

The Company's operational results and financial position are materially impacted by global financial and commodity market volatility over which it has no control. The following sensitivity analysis is suggestive of ways in which the financial results of the Company may reasonably be expected to be directly impacted by volatility in those markets:

- (i) The Company is not exposed to significant foreign currency risk on its US 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 increase by approximately \$nil with a 1% increase in the value of the US dollar relative to the Canadian dollar.
- (ii) Oil and gas revenues would not be significantly impacted by changes in oil and natural gas prices. As at September 30, 2018 for a 1% increase/decrease in the price of oil and gas, revenue would increase/decrease by approximately \$6,100 per quarter based upon September 2018 prices and volumes.

Commodity price risk affects the Company beyond its impact on realized revenue. In particular, the Company's future ability to raise capital for development stage activities is affected by, among many other factors, the price of oil and gas. Furthermore, changes in commodity prices will also affect the price of oil and gas leases, as well as exploration and drilling services and operating costs. Changes in oil and gas prices will also determine the Company's ultimate recoverable reserves.

Foreign exchange risk

The Company currently generates approximately 0.3% of its gross revenue from a natural gas well in the USA with a carrying value of \$1,084. Oil and gas tend to be priced in US dollars therefore a decrease in the value of the US dollar would have an immaterial impact on the results of operations.

11. CAPITAL MANAGEMENT

The primary capital management objective of the Company is to ensure adequate working capital is available to fund both the board-approved business development plans (i.e. oil and gas exploration and development) and the working capital requirements of each annual operating cycle, while also seeking to minimize the risk-adjusted cost of capital.

Capital is raised and retained for the purposes and to the extent necessary to fund exploration, development and corporate overhead costs, subject to the availability of financing on acceptable terms. Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of its planned exploration activities and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company defines capital as shareholders' equity. As the Company's major asset class – oil and gas properties without significant production – is highly illiquid, requiring significant additional expenditures to be fully monetized and as the Company is not yet earning net income from oil and gas operations, management of externally financed working capital is, by necessity, a major function of the Company's capital management program. The chief source of working capital is equity financing obtained through the sale of common shares and share purchase warrants and the exercise of warrants and options. The Company from time to time receives loans from related and unrelated parties and trade credit, but such financial instruments are typically only supplementary to equity financings. In any case, the Company does not consider debt to be a sustainable source of capital, as in the absence of positive cash flows from operations; any debt obtained must be retired with funds raised through equity financing.

11. CAPITAL MANAGEMENT (Cont'd)

The Company's capital management plan seeks to ensure adequate resources are available to fund its activities through the balance of the current fiscal year. A significant measure used in assessing capital adequacy is thus the expected number of days of operations that can be funded from current working capital. Capital levels are deemed sufficient if they can fund the balance of the annual exploration season and development goals and fund corporate overhead expenses in the near term. The Company lacks sufficient capital to carry out development or fund its corporate overhead expenses through the year ended March 31, 2018. Management must seek one or more equity financings to finance activities in the future periods. Additional capital raised will be invested primarily in oil and gas exploration and development activities.

Financing, and thus capital spending on exploration, will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of the Company's shares. The terms on which the Company obtains financings are furthermore subject to the guidelines of the TSX-V.

The Company is not subject to material externally imposed capital constraints.