

WESCAN ENERGY CORP.
CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER REPORT

For the three and six months ended

September 30, 2022

(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, 2022	March 31, 2022
	\$	\$
ASSETS		
Current assets		
Cash	1,395,839	468,303
Trade and other receivables (Note 3)	341,777	203,399
Other assets	8,037	48,294
Total current assets	1,745,653	719,996
Non-current assets		
Oil and gas properties (Note 4)	6,037,123	5,108,834
TOTAL ASSETS	7,782,776	5,828,830
LIABILITIES		
Current liabilities		
Trade and other payables	2,410,374	1,481,923
Payable to related parties (Note 5)	177,564	179,498
Convertible loans payable (Note 6)	1,211,699	695,844
Total current liabilities	3,799,637	2,357,265
Non-current liabilities		
Loan payable (Note 7)	60,000	60,000
Decommissioning provision (Note 8)	1,749,925	1,730,925
Total non-current liabilities	1,809,925	1,790,925
TOTAL LIABILITIES	5,609,562	4,148,190
EQUITY		
Share capital (Note 9)	14,365,882	14,358,382
Share subscriptions received in advance	-	(325,000)
Equity reserves (Note 9)	1,694,167	1,694,167
Deficit	(13,886,835)	(14,046,909)
Total shareholders' equity	2,173,214	1,680,640
TOTAL LIABILITIES AND EQUITY	7,782,776	5,828,830

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 Income
For the three and six months ended
(Expressed in Canadian Dollars – unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2022 \$	2021 \$	2022 \$	2021 \$
REVENUE				
Petroleum and natural gas sales	801,047	358,123	1,900,462	717,189
Less: royalties	(139,611)	(42,766)	(332,726)	(82,402)
	661,436	315,357	1,567,736	634,787
EXPENSES				
Operating costs	262,127	153,678	849,538	287,194
Depletion and accretion	148,560	88,850	273,160	182,300
General and administrative	150,373	124,441	269,143	213,410
Share-based payments	-	1,690	-	1,690
	561,060	368,659	1,391,841	684,594
Net gain (loss) from operating activities	100,376	(53,302)	175,895	(49,807)
Other income (expenses)				
Finance and Interest expense	(11,642)	(340)	(15,822)	(677)
Net gain (loss) and comprehensive gain (loss)	88,734	(53,642)	160,073	(50,484)
Basic and diluted loss per share	\$0.00	(\$0.00)	\$0.00	(\$0.00)
Weighted average number of common shares outstanding	41,347,958	35,359,658	41,347,958	35,359,658

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

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

September 30, 2022

	Share Capital		Equity Reserves	Share Subscription Receiveable	Deficit	Total
	Number of Shares	Amount \$				
Balance at March 31, 2022	41,347,958	14,358,382	1,694,167	(325,000)	(14,046,909)	1,680,640
Shares subscription received	-	7,500	-	325,000	-	332,500
Net gain for the period	-	-	-	-	160,073	160,073
Balance at September 30, 2022	41,347,958	14,365,882	1,694,167	-	(13,886,835)	2,173,214

September 30, 2021

	Share Capital		Equity Reserves	Share Subscription Receiveable	Deficit	Total
	Number of Shares	Amount \$				
Balance at March 31, 2021	35,359,658	13,764,767	1,538,240	-	(14,148,998)	1,154,009
Share subscription received	-	25,000	-	-	-	25,000
Share-based payments	-	-	1,690	-	-	1,690
Net (loss) for the period	-	-	-	-	(50,484)	(50,484)
Balance at September 30, 2021	35,359,658	13,789,767	1,539,930	-	(14,199,483)	1,130,214

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 September 30		Six Months Ended September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operating activities				
Net gain (loss)	88,734	(53,642)	160,073	(50,484)
Non-cash items:				
Depletion	139,060	81,100	254,160	166,800
Accretion	9,500	7,750	19,000	15,500
Interest expense	11,683	1,154	15,855	1,491
Share based payments	-	1,690	-	1,690
	248,977	38,052	449,088	134,997
Change in non-cash working capital items:				
Increase in trade and other receivables	136,320	17,780	(138,378)	(17,632)
Increase in prepaid expenses and deposit	-	-	40,257	-
Increase (decrease) in trade and other payables	710,205	(39,717)	912,596	(176,368)
Net cash provided by (used in) operating activities	1,095,502	16,115	1,263,563	(59,003)
Investing activities				
Expenditures on oil and gas properties	(1,182,448)	-	(1,182,448)	-
Net cash used in investing activities	(1,182,448)	-	(1,182,448)	-
Finance activities				
Share subscription received	7,500	-	332,500	25,000
Advances from (payments to) related parties	7,410	11,805	513,921	(24,857)
Net cash provided by financing activities	14,910	11,805	846,421	143
Change in cash and cash equivalents	(72,036)	27,920	927,536	(58,860)
Cash and cash equivalents, beginning of period	1,467,875	289,229	468,303	376,009
Cash and cash equivalents, end of period	1,395,839	317,149	1,395,839	317,149

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, 2022 and 2021
(Expressed in Canadian Dollars)

1. REPORTING ENTITY AND GOING CONCERN

Reporting entity

WesCan Energy Corp. (“WesCan” or the “Company”) 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 September 30, 2022 the Company has a working capital deficiency of \$2,053,984 and an accumulated deficit of \$13,886,835 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 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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (or COVID-19), a pandemic. Beginning in February 2022, the United States, and numerous other nations, notably including the European Union and United Kingdom, imposed substantial additional sanctions on Russia regarding its invasion of Ukraine. Given the dynamic nature of these circumstances, the full extent to which the COVID-19 global pandemic together with the such economic sanctions on Russia, this may have direct or indirect impact on the Company's business and the related financial reporting implications cannot be reasonably estimated at this time, although, it could materially affect the Company's business, results of operations and financial position in the future, including having a significant impact on future oil prices.

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 November 29, 2022.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2022 and 2021
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2. BASIS OF PRESENTATION (Cont'd)

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, as explained in Note 3.

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.

Significant judgments

Determination of cash-generating units ("CGU")

Property and equipment are aggregated into CGUs based on their ability to generate largely independent cash flows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment.

Deferred taxes

The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between accounting and tax bases of assets and liabilities.

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its projects and working capital requirements.

Significant estimates and assumptions

Reserves and future development costs

Amounts recorded for depreciation, depletion and amortization and amounts used for impairment calculations are based on estimates of oil and natural gas reserves and future development costs. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows are subject to measurement uncertainty. Estimates of future development costs are also subject to measurement uncertainty.

Decommissioning liabilities

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require estimates regarding remediation date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal costs, and liability specific discount rates to determine the present value of these cash flows.

WesCan Energy Corp.
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(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Cont'd)

Share-based compensation

Compensation costs accrued for share-based compensation plans are subject to the estimation using pricing models such as the Black-Scholes Option Pricing Model which is based on significant assumptions such as the future volatility of the market price of the Company's shares and the expected term of the issued stock options.

Recoverability of assets

The carrying amounts of the Company's petroleum properties are reviewed at each reporting date for indicators of impairment and reversals of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, or reversals of impairment, if any. The recoverable amount of an asset is evaluated at the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use.

The Company's impairment testing is based on discounted cash flow models prepared by management with assistance from third-party advisors when required. The inputs used are based on management's best estimates of what an independent market participant would consider appropriate and are reviewed by senior management. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statement of comprehensive income (loss) and the resulting carrying values of assets.

Provision for doubtful accounts

The provision for doubtful accounts is reviewed by management on a monthly basis. Trade receivables are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. Management makes these assessments after taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances; however, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

3. TRADE AND OTHER RECEIVABLES

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

	September 30, 2022	March 31, 2022
	\$	\$
Trade receivables from oil and gas property operators	296,615	199,334
Taxes receivables	45,162	4,065
Total	341,777	203,399

4. OIL AND GAS PROPERTIES

During the year ended March 31, 2016, the Company paid \$1,240,000 for the acquisition of a 100% interest in an oil and gas property in the Provost region of Alberta. The transaction was accounted for as a business combination.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
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4. OIL AND GAS PROPERTIES (Cont'd)

Subsequent to the completion of the transaction, the Company sold a gross overriding royalty, (GOR) to Newcrest Resources Ltd. (“Newcrest”) for total cash consideration of \$150,000. The GOR entitles Newcrest to a four percent (4%) royalty of the gross monthly production of petroleum substances from the Company’s Provost property.

Cost	\$
As at March 31, 2021	8,430,027
Change in decommissioning liabilities (Note 9)	(117,109)
As at March 31, 2022	8,312,918
Additions	1,182,448
As at September 30, 2022	9,495,366

Depletion, depreciation and impairment	\$
As at March 31, 2021	(3,586,512)
Depletion and depreciation	(263,551)
Reversal of impairment, net	645,979
As at March 31, 2022	(3,204,084)
Depletion and depreciation	(254,160)
As at September 30, 2022	(3,458,244)

Net book value	Total \$
As at March 31, 2021	4,843,515
As at March 31, 2022	5,108,834
As at September 30, 2022	6,037,123

At March 31, 2022, the Company recorded a reversal of impairment of the oil and gas properties in the amount of \$645,979. The reversal of impairment resulted from an increase in the market prices for crude oil and gas during the year. The recoverable amount of the CGU was determined as the fair value less cost to sell (“FVLCS”) using a discounted cash flow method based on the 2022 year-end reserves report prepared by an independent engineer using an after-tax discount rate of 10% for proved and probable reserves. The fair value measurement of the Company’s oil and gas properties are designated a Level 3 on the fair value hierarchy.

As at September 30, 2022, the Company recorded developed and producing (“D&P”) assets in the amount of \$1,182,448.

5. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the period ended September 30, 2022 and 2021 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.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

	September 30, 2022	March 31, 2022
	\$	\$
Related payable for services	177,564	179,498

6. CONVERTIBLE LOANS PAYABLE

At September 30, 2022, the Company has short-term convertible loans payable to unrelated parties in the amount of \$1,211,699. (March 31, 2022 – \$695,844). These loans are due on demand, bear interest of up to 10% per annum and are unsecured. As at year ended March 31, 2022, the Company made repayments of \$nil (2021 – \$nil). The loans are convertible at the option of the Company and its lenders. Such 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 are equal to the face value, therefore, \$nil value to the equity components of these convertible loans have been assigned.

7. LOAN PAYABLE

During the year ended March 31, 2021, the Company received loans from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the total amount of \$60,000. The CEBA is a government guaranteed loan of up to \$60,000 that is interest-free until December 31, 2023. The loan is available to help businesses with operating costs during COVID-19 and \$20,000 of the total loan amount is eligible for forgiveness as long as the business pays back \$40,000 on or before December 31, 2023. If the business cannot pay back the loan by December 31, 2023, it can be converted into a three-year term loan at an interest rate of 5%. During the period ended September 30, 2022, the Company made repayments of \$nil (2021 – \$nil).

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, 2022	March 31, 2022
	\$	\$
Balance, beginning of the period	1,730,925	1,814,645
Accretion	19,000	33,389
Change in estimates	-	(117,109)
Balance, end of period	1,749,925	1,730,925

The present value of the decommissioning obligation of \$1,749,925 (2021 - \$1,814,645) was calculated using an average discount rate of 2.47% (2021 – 1.84%) and inflation rate of 1.77% (2021 – 1.78%). The weighted average life of wells have been estimated at approximately 16 years (2021 – 14 years). At March 31, 2022, the undiscounted value of the obligation is \$2,030,305 (2021 – \$2,065,000). Reclamation activities are expected to occur between 2023 and 2036.

9. SHARE CAPITAL

Shares authorized, issued and outstanding at September 30, 2022 are as follows:

a) Authorized

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

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the three and six months ended September 30, 2022 and 2021
(Expressed in Canadian Dollars)

9. SHARE CAPITAL (Cont'd)

b) Issued

	Number of common shares	Amount \$
Balance at March 31, 2022	41,347,958	14,033,382
Share subscription received		332,500
Balance at September 30, 2022	41,347,958	14,365,882

For the year ended March 31, 2022, the Company had the following transactions:

On November 1, 2021, the Company completed debt-for-share settlement, issuing 988,300 common shares with an estimated fair value of \$70,082 for debt of \$98,830. The Company incurred share issuance costs of \$1,467 in relation this transaction and recognized a gain of \$28,748 as a gain on settlements of the debt.

On March 31, 2022 the Company completed a non-brokered private placement of common shares issuing 5,000,000 at a price of \$0.10 per common share for gross proceeds of \$500,000. As at March 31, 2022, \$325,000 of the proceeds were recorded as a share subscription receivable that was subsequently received in April, 2022.

For the year ended March 31, 2021, the Company had the following transactions:

On March 15, 2021, the Company completed a non-brokered private placement, issuing 4,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$200,000. The Company incurred share issuance costs of \$1,750 in relation to the private placement. As at March 31, 2021, \$25,000 of the proceeds were outstanding which were received during the year ended March 31, 2022.

c) Equity reserves

Equity reserve items are recognized as 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.

d) 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, regular 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.

On September 29, 2021, the Company granted 2,750,000 stock options to the directors and officers of the Company. The stock options are exercisable at a price of \$0.06 per common share until five years from the grant date. For the year ended March 31, 2022, the Company recorded a stock-based compensation expense of \$155,927.

A summary of share purchase options cancelled, granted and exercised during the years ended September 30, 2022 and March 31, 2022 is as follows:

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
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9. SHARE CAPITAL (Cont'd)

	September 30, 2022		March 31, 2022	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of year	2,750,000	0.06	2,750,000	0.06
Expired	-	-	-	-
Balance, end of period	2,750,000	0.06	2,750,000	-

A summary of stock options outstanding and exercisable at September 30, 2022 is as follows:

Weighted average exercise Price	Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted average remaining life
\$ 0.06	September 29, 2022	September 29, 2026	2,750,000	2,625,000	4.00

e) Earnings (loss) per share

The diluted earnings per share calculation includes the impact of all warrants and stock options outstanding during the period. At September 30, 2022 and 2021, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

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 convertible loans payable are recorded at amortized cost. Cash and cash equivalents are recorded at fair value using Level 1 measurements.

	Financial instrument classification	September 30, 2022		March 31, 2022	
		Carrying Value \$	Estimated Fair value \$	Carrying Value \$	Estimated Fair value \$
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	1,395,839	1,395,839	468,303	468,303
Trade and other receivables	Amortized cost	341,777	341,777	203,399	203,399
Financial liabilities					
Trade and other payables	Amortized cost	2,410,372	2,410,372	1,481,923	1,481,923
Payable to related parties	Amortized cost	177,564	177,564	179,498	179,498
Convertible loans payable	Amortized cost	1,211,699	1,211,699	695,844	695,844
Loan payable	Amortized cost	60,000	60,000	60,000	60,000

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

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
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10. FINANCIAL INSTRUMENTS (Cont'd)

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 for similar assets and liabilities.

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, 2022 and 2021 are as follows:

	Balance at September 30, 2022	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	Total \$
Assets:					
Cash and cash equivalents	1,395,839	1,395,839	-	-	1,395,839

	Balance at September 30, 2021	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	Total \$
Assets:					
Cash and cash equivalents	317,149	317,149	-	-	317,149

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 expected credit losses of \$10,160 as at September 30, 2022 (2021 – \$10,160).

WesCan Energy Corp.
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10. FINANCIAL INSTRUMENTS (Cont'd)

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 \$2,587,938 in accounts payable and payable to related parties which are overdue at September 30, 2022, a working capital deficiency of \$2,053,984 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.

The following table details the contractual maturities of the Company's financial liabilities as at September 30, 2022:

	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	2,410,374	-	-	-	2,410,374
Payable to related parties	177,564	-	-	-	177,564
Convertible loans payable	1,211,699	-	-	-	1,211,699
	3,799,637	-	-	-	3,799,637

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 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 any significant foreign currency risk on its US dollar denominated assets and financial liabilities. At September 30, 2022, 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.

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10. FINANCIAL INSTRUMENTS (Cont'd)

- (ii) As at September 30, 2022 for a 10% increase/decrease in the price of oil and gas, this would increase/decrease the net loss and comprehensive loss by approximately \$25,400 based upon September, 2022 commodity 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 affect the price of oil and gas leases, as well as exploration and drilling services and operating costs. The volatility in oil and gas prices will also determine the Company's ultimate value of its' recoverable reserves.

Foreign exchange risk

Oil and gas is typically priced in US dollars, therefore, a decrease in the value of the US dollar would not have a material impact on the results of the Company's 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 all components of 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, however, 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.

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 period ended September 30, 2022. 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.