

## 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, 2022, which includes its subsidiaries, is for the three and six months ended September 30, 2022. 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, 2022 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

	Three months ended			Six months ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Oil & NGL (BBL/D)	87	54	61	178	56	218
Natural Gas (MCF/D)	154	-	100	312	-	100
Total (BOE/D)	113	54	161	230	56	318
Oil & NGL % of Production	77%	100%		77%	100%	

Oil and NGL production increased 61% from 54 BBL/D in the three months ended September 30, 2021 to 87 BBL/D in the three months ended September 30, 2022. The increase is a result of a combination of well workovers and lower field maintenance costs during the period. Associated natural gas production also increased 100% from nil MCF/D in 2021 to 154 MCF/D in 2022.

**PRICES**

	Six months ended September 30		
	2022	2021	% Change
<b>Average Benchmark Prices:</b>			
WTI crude oil (US\$/BBL)	101.44	68.12	49
US\$/CDN\$ exchange rate	0.78	0.81	(4)
Bow River crude oil (CDN\$/BBL)	110.57	69.72	59
AECO daily spot (\$/GJ)	5.95	3.14	89
<b>Average Realized Prices:</b>			
Light and medium oil (\$/BBL)	108.63	69.82	56
Natural gas (\$/MCF)	5.86	-	100
Average price (\$/BOE)	90.96	69.82	30

WTI crude traded up 49% from an average price of \$68.12 (US\$/BBL) during 2021 to an average price of \$101.44 (\$US/BBL) in 2022. Bow River crude traded up 59% from an average price of 69.72 (\$CDN/BBL) in 2021 to an average price of \$110.57 (\$CDN/BBL) during 2022. The average realized price for AECO natural gas increased 100% from \$nil/MCF in 2021 to an average price of \$5.86/MCF in 2022.

**REVENUE**

(\$)	Three months ended			Six months ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Oil & NGL Sales	740,937	358,123	107	1,734,207	717,189	142
Natural Gas Sales	60,110	-	100	166,255	-	100
Oil & Natural Gas Sales	801,047	358,123	207	1,900,462	717,189	242

A 56% increase in the realized price for crude oil from \$69.82 per BBL during the six-months ended September 30, 2021 to \$108.63 per BBL for the same period in 2022 resulted in a 107% increase in oil and NGL sales. The realized price for an MCF of natural gas was \$5.86 in 2022. The realized price for an MCF of natural gas for the same period in 2021 was \$nil due to mechanical processing issues that were subsequently repaired.

**ROYALTIES**

(\$)	Three months ended			Six months ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Crown Royalties	63,748	-	100	164,451	-	100
Freehold Royalties	75,863	42,766	77	168,275	82,402	104
Royalty Expense	139,611	42,766	177	332,726	82,402	204
Royalty Expense as a % of Sales	17%	12%		18%	11%	
Royalty Expense per BOE	14	9		16	8	

There was a 177% increase in total royalty expense from \$42,766 in the six-months ended September 30, 2021 to \$139,611 for the same period in 2022. Royalties as a percentage of revenues remain low at approximately 17% in 2022.

#### **OPERATING EXPENSE**

(\$)	Three months ended September 30			Six months ended September 30		
	2022	2021	% Change	2022	2021	% Change
Operating costs	262,127	153,678	71	849,538	287,194	196
Operating costs as a % of Sales	33%	43%		45%	40%	
Operating costs per BOE	26	31		41	28	

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 six months ended September 30, 2022, the Company expensed \$408,080 on well workovers (2021 - \$18,200) on its core property. The increase in revenue from the prior period resulted in the percentage of operating expenses to revenues to move from 40% to 45% during the current period.

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

(\$)	Three months ended September 30			Six months ended September 30		
	2022	2021	% Change	2022	2021	% Change
Gross G&A	150,373	124,441	21	269,143	213,410	26
Capitalized G&A	-	-	-	-	-	-
Net G&A expense	150,373	124,441	21	269,143	213,410	26
Net G&A expense per BOE	15	25		13	21	

Overhead cost increases resulted in a 26% increase in G&A expenses from 2021 to 2022. 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**

(\$ / BOE)	Three months ended			Six months ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Oil and Natural Gas Sales	78.24	72.22	8	90.96	69.82	30
Royalties	(13.64)	(8.62)	58	(15.92)	(8.02)	99
Operating costs	(25.60)	(30.99)	(17)	(40.66)	(27.96)	45
Operating Netback	39.00	32.61	20	34.38	33.84	2

Operating netbacks per BOE were up from \$33.84/BOE in 2021 to \$34.38/BOE in 2022 due to a combination of increased commodities prices, multi-well workovers and lower field-related maintenance costs.

**DEPLETION, DEPRECIATION AND ACCRETION**

(\$)	Three months ended September			Six months ended September 30		
	30			30		
	2022	2021	% Change	2022	2021	% Change
Depletion	139,060	81,100		254,160	166,800	
Depreciation	-	-		-	-	
Accretion	9,500	7,750		19,000	15,500	
DD&A	148,560	88,850	67	273,160	182,300	50
DD&A per BOE	15	10		13	10	

**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, 2022, the Company evaluated its developed and producing (“D&P”) assets and exploration and evaluation (“E&E”) assets on a Cash Generating Unit basis for indicators of any potential impairment or related recovery. As a result of this assessment, no indicators were identified and no impairment or related reversal was recorded on the Company’s D&P assets and E&E assets for the six-months ended September 30, 2022.

**FUNDS FROM OPERATIONS**

	Three months ended		Six months ended	
	September 30		September 30	
(\$ except per share amount)	2022	2021	2022	2021
Cash flow from (used in) operating activities	1,095,504	16,115	1,263,565	(59,003)
Changes in non-cash working capital	(846,527)	21,937	(814,477)	194,000
Funds from operations	248,977	38,052	449,088	134,997
Per share - basic / diluted	0.01	0.00	0.01	0.00

**CAPITAL EXPENDITURES**

	Three months ended			Six months ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Acquisition of oil and gas assets	-	-	-	-	-	-
Expenditures on D&P assets	1,182,448	-	100	1,182,448	-	100
Total capital expenditures	1,182,448	-	100	1,182,448	-	100

The Company incurred \$1,182,448 in developed and producing (“D&P”) assets during the first six-months of 2022 and \$nil for the same period in 2021.

**DECOMMISSIONING LIABILITIES**

(\$)	30-Sep	31-Mar
	2022	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

**OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. At September 30, 2022 and the date of this MD&A, the Company’s issued share capital and the outstanding securities that are convertible into or exercisable or exchangeable for any voting or equity securities of the Company are as follows:

Common shares	<b>41,347,958</b>
Stock Options	<b>2,625,000</b>
Warrants	<b>Nil</b>

## **CAPITAL RESOURCES AND LIQUIDITY**

WesCan's major source of liquidity has been the issuance of equity capital. The Company obtains equity capital financings 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 financing(s) during the next six - twelve months. At September 30, 2022, the Company's working capital deficiency was \$2,053,984 (March 31, 2022 - \$1,637,269).

Additional equity financing(s) will be required in order to carry out the exploration and development necessary to achieve a self-sustaining level of production, revenue, cashflow and to further achieve our oil and gas business objectives. There is no assurance that the Company will be successful in obtaining any such financing.

The Company has traditionally supplemented equity financing from time to time by obtaining loans from third parties. These were used to provide interim, short-term financings to meet day-to-day cash flow requirements and are not intended to be a long-term source of capital. At September 30, 2022, the Company has convertible loans owing to unrelated parties in the amount of \$1,211,699 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 may be 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 has been ascribed to the equity component on the convertible aspect of these loans.

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

The Company had no long-term debt or long-term financial liabilities outstanding at September 30, 2022.

#### SUMMARY OF QUARTERLY INFORMATION

Quarters ended	2023		2022			2021		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>OPERATING</b>								
Average daily production								
Oil & NGL (BBL/D)	87	91	42	46	54	59	44	51
Natural gas ((MCF/D)	154	158	22	57	-	-	8	22
Total BOE (BOE/D)	113	117	45	56	54	59	45	55
Average sales price								
Oil (\$/BBL)	94.7	121.80	98.62	79.13	72.22	67.57	57.98	44.25
Natural gas (\$/MCF)	4.29	7.38	4.96	4.38	-	-	2.00	2.56
Total (\$/BOE)	78.24	103.18	79.95	69.59	72.22	67.57	57.31	42.09
Operating netback (\$/BOE)								
Oil & gas sales	78.24	103.18	79.95	69.59	72.22	67.57	57.31	42.09
Royalty expense	13.64	18.12	8.51	7.68	8.62	7.46	6.03	5.54
Operating expense	25.60	55.13	69.93	57.96	30.99	25.13	78.63	75.65
Netback	39.00	29.93	1.51	3.95	32.61	34.98	(27.35)	(39.10)
<b>FINANCIAL</b>								
Oil & gas sales	801,047	1,099,415	421,247	357,665	358,123	359,066	233,776	212,427
Funds from operations	248,977	200,111	(200,108)	(82,423)	38,052	96,945	(193,025)	(291,358)
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)	1,095,502	166,188	(26,435)	(101,631)	14,690	(73,693)	(180,477)	(75,978)
Per share – Basic/Diluted	0.03	0.00	(0.00)	(0.00)	0.00	(0.00)	(0.01)	(0.00)
Net Income (loss)	88,734	71,339	102,089	(236,721)	(53,642)	3,158	432,809	(354,702)
Per share – Basic/Diluted	0.00	0.00	0.00	(0.01)	(0.00)	0.00	0.01	(0.01)
Capital expenditures								
Total Assets	7,782,776	6,947,744	5,828,830	5,057,659	5,120,521	5,191,481	5,328,549	4,157,079
Working capital (deficiency)	(2,053,984)	(1,116,330)	(1,637,269)	(1,772,874)	(1,788,360)	(1,825,257)	(1,946,865)	(1,980,542)
Shareholders' Equity	2,173,214	2,076,979	1,680,640	1,070,290	1,130,214	1,182,167	1,154,009	(95,303)
Shares Outstanding	41,347,958	41,347,958	41,347,958	36,347,958	35,359,658	35,359,658	31,359,658	31,359,658

The most important trend over the last eight quarters has been the increase in the price of oil from a high of \$121.80/BBL on Q1 of 2023 to a low of \$44.25/BBL in Q3 of 2021. The price of natural gas from a high of \$7.38/MCF in Q1 2023, to a low of \$nil/MCF in Q2 2022. Netbacks per BOE were up to \$39.00 in Q2 of 2023 from -\$27.35 in Q4 of 2021 primarily due to a combination of higher commodity prices and lower operating costs.

#### **CRITICAL ACCOUNTING ESTIMATES**

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

from these estimates.

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

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

### ***RESERVES ESTIMATES***

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

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

Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids determined to be economically recoverable under existing economic and operating conditions with a high degree of certainty (at least 90 percent) those quantities will be exceeded. Proved plus probable reserves are the estimated quantities of crude oil, natural gas and natural gas liquids determined to be economically recoverable under existing economic and operating conditions with a 50 percent certainty those quantities will be exceeded. WesCan reports production and reserve quantities in accordance with Canadian practices and specifically in accordance with "Standards of Disclosure for Oil and Gas Activities" ("NI 51-101").

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

commodity prices, new technology, changing economic conditions, and future reservoir performance and forecast development activity.

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

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

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

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

### **DECOMMISSIONING PROVISION**

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 decreased to \$1,749,925 as at September 30, 2022 from \$1,814,645 as at March 31, 2021.

### **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 would 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, 2022 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 cashflows, reduce the realizable market value of the Company's oil and gas assets, reduce the Company's economic reserves, and make it more difficult for the Company to raise the equity capital required to meet its commitments and carry out its development-stage business plans. The Company sells its production on the spot market. Management has assessed that the Company's degree of exposure to commodity price risk is material, however, it remains consistent with our development-stage oil and gas operations.

## Liquidity Risk

The Company faces material liquidity risk in that it has \$2,587,938 in accounts payables and payable to trade and un-related parties at September 30, 2022 and insufficient cash on hand to satisfy those debts should they be demanded. The Company is seeking equity financing(s) in order to obtain additional liquidity to mitigate and resolve this risk.

## ***IMPACT OF COVID-19***

In March 2020, the World Health Organization declared a world-wide pandemic resulting from the coronavirus (COVID-19) outbreak. As the disease rapidly spread across the globe, many countries have required companies to limit or suspend business operations, implemented travel restrictions and ordered individuals to stay at home. These measures have materially impacted the demand for the Company's oil and gas products. The current lack of global demand combined with over-supply of oil resulted in a significant decrease in spot and forward oil prices.

The Company makes significant estimates related to reserves that could be materially impacted by a sustained decrease in prices of our products. To estimate the economically recoverable crude oil reserves and related future net cash flows, management incorporates many factors and assumptions including the expected reserve characteristics, future commodity prices and costs and assumed effects of regulation by governmental agencies. Reserves are used to calculate the depletion of the capitalized petroleum properties and for impairment purposes. If the lower commodity prices continue for a sustained period,

our expectations of future commodity prices could lower the value of our reserves and result in material impairments of our long-term assets.

The COVID-19 pandemic is rapidly evolving and its ultimate impact on our business is uncertain. At this point, management cannot reasonably estimate the duration, complexity, or severity of this pandemic, which could have a material adverse impact on the Company's business, results of operations, financial position and cash flows.

## ***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 Company's 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 continues to review the geological and reservoir engineering evaluations of 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 continue to 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.