

WESCAN ENERGY CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Directors of WesCan Energy Corp.

Opinion

We have audited the consolidated financial statements of WesCan Energy Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management's Discussion and Analysis to be filed with the relevant Canadian securities commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michael Ryan Ayre.

A handwritten signature in black ink that reads 'Manning Elliott LLP'.

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
July 29, 2022

WesCan Energy Corp.
Consolidated Statements of Financial Position
As at March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	March 31, 2022	March 31, 2021
	\$	\$
ASSETS		
Current assets		
Cash	468,303	376,009
Trade and other receivables (Note 4)	203,399	109,025
Other assets	48,294	-
Total current assets	719,996	485,034
Non-current assets		
Oil and gas properties (Note 5)	5,108,834	4,843,515
Total non-current assets	5,108,834	4,843,515
TOTAL ASSETS	5,828,830	5,328,549
LIABILITIES		
Current liabilities		
Trade and other payables	1,481,923	1,407,902
Payable to related parties (Note 6)	179,498	197,498
Convertible loans payable (Note 7)	695,844	694,495
Current portion of decommissioning provision (Note 9)	-	132,004
Total current liabilities	2,357,265	2,431,899
Non-current liabilities		
Loan payable (Note 8)	60,000	60,000
Decommissioning provision (Note 9)	1,730,925	1,682,641
Total non-current liabilities	1,790,925	1,742,641
TOTAL LIABILITIES	4,148,190	4,173,540
EQUITY		
Share capital (Note 10)	14,358,382	13,764,767
Share subscriptions received in advance	(325,000)	-
Equity Reserves (Note 10)	1,694,167	1,538,240
Deficit	(14,046,909)	(14,148,998)
Total equity	1,680,640	1,154,009
TOTAL LIABILITIES AND EQUITY	5,828,830	5,328,549

Going concern (Note 1)
Subsequent events (Note 16)

Approved and authorized for issuance 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.
Consolidated Statements of Comprehensive Income
For the years ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	March 31, 2022	March 31, 2021
	\$	\$
REVENUE		
Petroleum and natural gas sales	1,496,101	8833,698
Less: royalties	(166,724)	(91,548)
Revenues, net of royalties	1,329,377	742,1500
EXPENSES		
Operating costs	953,534	969,543
Depletion, depreciation and accretion	296,939	269,410
General and administrative (Notes 6 and 15)	523,031	414,191
	1,773,504	1,653,144
Net loss before other income (expenses)	(444,127)	(910,994)
Other income (expenses)		
Finance and interest expense	(1,349)	(1,352)
Foreign exchange gain (loss)	(346)	(2,423)
Recovery of impairment of oil and gas properties (Note 5)	645,979	1,347,578
Gain of de-recognition of debt	57,859	-
Stock-based compensation (Note 10)	(155,927)	-
	546,216	1,343,803
Net income and comprehensive income	102,089	432,809
Basic earnings per share	\$ 0.00	\$ 0.01
Basic weighted average number of common shares outstanding	35,889,096	31,535,000
Diluted earnings per share (Note 10 (e))	\$ 0.00	\$ 0.01
Diluted weighted average number of common shares outstanding	36,805,763	31,535,000

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

WesCan Energy Corp.
Consolidated Statements of Changes in Equity
For the years ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

Year Ended March 31, 2022

	Share capital		Equity Reserves	Share Subscriptions Receivable	Deficit	Total Equity
	Number of Shares	Amount \$				
Balance at March 31, 2021	35,359,658	13,764,767	1,538,240	-	(14,148,998)	1,154,009
Shares issued for settlement of debt	988,300	70,082	-	-	-	70,082
Private placement issued	5,000,000	500,000	-	(325,000)	-	175,000
Share subscription received	-	25,000	-	-	-	25,000
Share issuance costs	-	(1,467)	-	-	-	(1,467)
Share based payment	-	-	155,927	-	-	155,927
Net income for the year	-	-	-	-	102,089	102,089
Balance at March 31, 2022	41,347,958	14,358,382	1,694,167	(325,000)	(14,046,909)	1,680,640

Year Ended March 31, 2021

	Share capital		Equity Reserves	Share Subscriptions Receivable	Deficit	Total Equity
	Number of Shares	Amount \$				
Balance at March 31, 2020	31,359,658	13,591,517	1,538,240	-	(14,581,807)	547,950
Shares issued	4,000,000	200,000	-	-	-	200,000
Share subscription receivable	-	(25,000)	-	-	-	(25,000)
Share issuance costs	-	(1,750)	-	-	-	(1,750)
Net loss for the year	-	-	-	-	432,809	432,809
Balance at March 31, 2021	35,359,658	13,764,767	1,538,240	-	(14,148,998)	1,154,009

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

WesCan Energy Corp.
Consolidated Statements of Cash Flows
For the years ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	March 31, 2022	March 31, 2021
	\$	\$
Operating activities		
Net income (loss)	102,089	432,809
Non-cash items:		
Depletion	263,551	247,385
Depreciation	-	1,625
Accretion	33,389	20,400
Gain on de-recognition of debt	(57,859)	-
Interest expense	1,349	1,352
Stock-based compensation	155,927	-
Recovery of impairment of oil and gas properties	(645,979)	(1,347,578)
	(147,533)	(644,007)
Change in non-cash working capital items:		
Decrease (increase) in trade and other receivables	(94,374)	(67,321)
Decrease in other assets	(48,294)	6,418
Increase in trade and other payables	201,962	444,603
Net cash used in operating activities	(88,239)	(260,307)
Financing activities		
Proceeds from shares issued	175,000	175,000
Share issuance costs	(1,467)	(1,750)
Loans received	-	60,000
Shares subscription received	25,000	-
Payments to related parties	(18,000)	(13,929)
Net cash provided by (used in) financing activities	180,533	219,321
Changes in cash and cash equivalents	92,294	(40,986)
Cash and cash equivalents, beginning of year	376,009	416,995
Cash and cash equivalents, end of year	468,303	376,009
Supplemental cash flow information		
Re-estimation of decommissioning liability	117,109	192,995
Shares for debt	98,830	-
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the years ended March 31, 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 is located at Suite 1000, Livingston Place West, 250-2nd St. S.W., Calgary, Alberta, Canada T2P 0C1 and its 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 March 31, 2022 the Company has a working capital deficiency of \$1,637,269 and an accumulated deficit of \$14,046,909 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 and the economic sanctions on Russia 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 International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were authorized for issuance by the Board of Directors on July 29, 2022.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for certain 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.

2. BASIS OF PRESENTATION (Cont'd)

d) Significant accounting estimates and judgments (Cont'd)

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.

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 and impairment reversal 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 and reversals recorded in the consolidated statement of comprehensive income 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.

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Cont'd)

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are all entities controlled by WesCan. Control exists when WesCan has the power to, directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to WesCan. They are deconsolidated from the date on which control ceases.

The consolidated financial statements as at March 31, 2022 and 2021 include the assets, liabilities, revenues and expenses of WesCan and its wholly-owned subsidiaries: GPI Oil & Gas Inc., GPI Oil and Gas Overseas Inc. and GPI Petroleum Inc.

Details of controlled entities are as follows:

	Country of Incorporation	Percentage owned *	
		March 31, 2022	March 31, 2021
GPI Oil & Gas Inc.	Canada	100%	100%
GPI Oil and Gas Overseas Inc.	Canada	100%	100%
GPI Petroleum Inc.	USA	100%	100%

*Percentage of voting power is in proportion to ownership.

All inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash consists primarily of cash in banks. When held, cash equivalents consist of term deposits, certificates of deposit or other highly liquid investments with a maturity of three months or less at the time of purchase.

Joint arrangements

Several of the Company's oil and natural gas activities involve joint arrangements. Although the Company does not have joint control in these arrangements, it does have rights to the related assets and obligations for the related liabilities. Therefore, the Company has accounted for its interests in these arrangement as joint operations. These consolidated financial statements include the Company's proportionate interest in these joint arrangements and its proportionate share of the relevant revenue and related costs.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. Monetary assets and liabilities are translated at the exchange rate in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. Exchange differences arising on translation of foreign operations are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Exploration and evaluation assets

All costs directly associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized on an area-by-area basis for which the Company has the legal right to explore. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, decommissioning costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to profit or loss as exploration and evaluation expense.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to oil and gas properties after testing for impairment (see “Impairment of exploration and evaluation assets and oil and gas properties” below).

Gains and losses on disposal of an item of exploration and evaluation assets are determined by comparing the proceeds from disposal with the carrying amount of exploration and evaluation assets and are recognized in profit or loss.

Impairment of exploration and evaluation assets and oil and gas properties

At each consolidated financial position reporting date the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication of impairment. Exploration and evaluation assets are tested for impairment when reclassified to oil and gas properties or if facts and circumstances indicate potential impairment. Oil and gas assets are tested separately for impairment. An impairment loss is recognized for the amount by which the exploration and evaluation asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation asset’s fair value less costs to sell and its value in use.

Oil and gas properties are tested for impairment if circumstances indicate potential impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

The recoverable amount of an asset or its CGU is the greater of its fair value less the cost to sell (“FVLCS”) and value in use (“VIU”). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. FVLCS is the amount obtainable from the sale of an asset or CGU in an arm’s length transaction between knowledgeable, willing parties, less the costs to sell or in the case of a lack of comparable transactions, based upon discounted after tax cash flows.

Impairment losses are recognized in profit or loss. An assessment is made at each financial position reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there is an indication that there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, however, the increased amount can not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Oil and gas properties

All costs directly associated with the development of oil and natural gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, cost of decommissioning costs, and transfers of exploration and evaluation assets.

For divestitures of properties, a gain or loss is recognized in profit or loss. Exchanges of properties are measured at fair value, unless the fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in profit or loss. Sales from royalties on the Company's oil and gas properties are deducted against the related assets.

Depreciation, depletion and amortization ("DD&A")

The net carrying value of oil and natural gas properties is depleted on an area-by-area basis using a unit-of-production method by reference to the ratio of production in the year to the related proven and probable reserves. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with estimated future development expenditures required to develop reserves. Proven and probable reserves are estimated using independent engineer reserve reports in accordance with National Instrument 51-101 and represent the estimated quantities of crude oil and natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years. Other property and equipment are depreciated over their estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at least annually.

Decommissioning provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of management's best estimate of future remediation costs arising from the decommissioning is capitalized to the related exploration and evaluation assets and oil and gas properties along with a corresponding increase in the decommissioning provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The amount capitalized will be depreciated on the same basis as the related assets.

The Company's estimates of remediation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of future expenditures. These changes in estimates are recorded directly to exploration and evaluation assets and oil and gas properties with a corresponding entry to the decommissioning provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value due to the passage of time are charged to profit and loss for the period as a borrowing cost with a corresponding entry to the decommissioning provision. The net present value of remediation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of remediation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets and oil and gas properties.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue from the sale of oil and natural gas is recognized when the Company satisfies performance obligations under sales contracts, and the customer obtains control of the goods, which occurs at the point in time of delivery of oil, natural gas and natural gas liquids into a vessel, pipe or other delivery mechanism.

Revenue from sale of oil, natural gas and natural gas liquids is measured per consideration specified in contracts with customers. Revenue is measured net of discounts, customs duties, royalties and taxes. The Company does not have any contracts where the period between the transfer of goods or services to the customer and the receipt of payment from the customer exceed one year. As a result, the Company does not adjust transaction prices for time value of money or have financing components in connection with contracts with customers. Based on the criteria outlined in IFRS 15 Revenue from Contracts with Customers, management concluded that the Company does not have any variable consideration.

Revenue derived from the production and sale of oil and natural gas in which the Company has an interest with other producers is recognized based on the Company's working interest and the terms of the relevant production sharing contracts. The costs associated with the delivery, including operating and maintenance costs, transportation and production based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

Share-based payment transactions

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees, the fair value of each tranche of options is measured at grant date and recognized on a straight-line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions under which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest and is recorded as an expense over the vesting period using the graded vesting method. Compensation expense on stock options granted to non-employees is recorded as an expense over the service period at the earlier of the completion of performance or the date the options are vested based on the fair value of services provided, or the fair value of the equity instrument issued, if it is determined the fair value of goods or services cannot be reliably measured.

At each consolidated statement of financial position date, the entity revises its estimates of the number of options that are expected to vest based on non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing earnings (loss) attributable to common shareholders of the company by the weighted average shares outstanding, increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Segment reporting

The Company operates in a single reporting segment, oil and gas exploration and production. The Company's oil and gas properties relate to one country, Canada.

Financial Instruments

Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as fair value through profit or loss ("FVTPL"). Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

Classification – financial assets

Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequent to initial recognition at amortized cost. The Company measures its trade and other receivables at amortized cost.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings upon derecognition.

The Company currently has no financial assets designated as FVTOCI.

Fair value through profit or loss ("FVTPL")

By default, all other financial assets are measured subsequently at FVTPL, which includes cash and cash equivalents.

Derecognition of financial assets

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Classification – financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method, except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments at below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination. Financial liabilities at amortized cost include trade and other payables, payable to related parties, convertible loans payable and loan payable.

The Company has no hedging arrangements and does not apply hedge accounting.

Impairment of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are legally discharged, cancelled or they expire.

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3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax

Income tax expense consists of current and deferred tax expenses. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or investments in subsidiaries and equity investments to the extent it is probable that they will not be reversed in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Inventory

Inventory consists of oil and gas. The carrying value of inventory includes all direct expenditures required to bring the inventory to its present location and condition, including transportation expenses. Inventory is valued using the weighted average cost method and inventory is held at the lower of cost and net realizable value at each reporting period. Net realizable value is the estimated selling price less any expected selling costs. If the carrying value exceeds the net realizable value, a write-down is recognized. A change in circumstance could result in a reversal of the write-down for inventory that remains on hand in a subsequent period.

4. TRADE AND OTHER RECEIVABLES

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

	March 31, 2022	March 31, 2021
	\$	\$
Trade receivable from oil and gas property operators	199,334	98,447
Tax recoverable	4,065	10,578
Total	203,399	109,025

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5. 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 oil and gas properties in Provost region of Alberta. The transaction was accounted for as a business combination.

Subsequent to the completion of the transaction, the Company sold its overriding royalty rights (GOR) to Newcrest Resources Ltd. (“Newcrest”) for total cash consideration of \$150,000. Overriding royalty rights entitle 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, 2020	8,623,022
Change in decommission liabilities (Note 9)	(192,995)
As at March 31, 2021	8,430,027
Change in decommissioning liabilities (Note 9)	(117,109)
As at March 31, 2022	8,312,918
Depletion, depreciation and impairment	\$
As at March 31, 2020	(4,686,705)
Depletion and depreciation	(247,385)
Reversal of impairment, net	1,347,578
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)
Net book value	\$
As at March 31, 2021	4,843,515
As at March 31, 2022	5,108,834

At March 31, 2021, the Company recorded a reversal of impairment of the oil and gas properties in the amount of \$1,347,578. The reversal was a partial reversal of an impairment charge of \$2,166,974 at March 31, 2020. 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 2021 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 is designated Level 3 on the fair value hierarchy.

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 is designated Level 3 on the fair value hierarchy.

The following table outlines the forecast benchmark commodity prices used in the reversal of impairment calculation of oil and gas properties at March 31, 2022. Forecast benchmark commodity price assumptions tend to be stable because short-term increases or decreases in prices are not considered indicative of long-term price levels but are nonetheless subject to change.

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5. OIL AND GAS PROPERTIES (Cont'd)

	2022 (9 mos)	2023	2024	2025	2026	2027	2028	2029	2030	2031 ⁽²⁾
Western Canadian Select (\$/bbl) ⁽¹⁾	102.91	85.16	77.04	70.69	72.10	73.55	75.02	76.52	78.05	79.81
Alberta AECO Spot Price (\$/MMBtu) ⁽¹⁾	5.30	4.28	3.69	3.45	3.52	3.59	3.66	3.73	3.81	3.88

Notes:

⁽¹⁾ The forecast benchmark commodity prices listed are adjusted for quality differentials and other factors specific to the Company's operations in performing the Company's impairment tests.

⁽²⁾ The forecast benchmark commodity prices are assumed to increase by 2% in each year after 2031 to the end of the reserve life.

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the years ended March 31, 2022 and 2021 not disclosed elsewhere in these consolidated financial statements are as follows:

Key management compensation

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel and companies related to them were recorded as follows:

	March 31, 2022 \$	March 31, 2021 \$
Short-term employee benefits:		
Management salaries	216,670	185,000
Stock-based compensation	106,317	-
Total	322,987	185,000

During the year ended March 31, 2022 the Company issued 1,875,000 stock options with an exercise price of \$0.06 to directors and senior officers. Accordingly, the Company recorded an amount of \$106,317 as share-based compensation for the year ended March 31, 2022.

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.

	March 31, 2022 \$	March 31, 2021 \$
Related payable for services	179,498	197,498

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7. CONVERTIBLE LOANS PAYABLE

At March 31, 2022, the Company has short-term convertible loans payable to unrelated parties in the amount of \$695,844 (2021 – \$694,495). These loans are due on demand, bear interest up to 10% per annum and are unsecured. During the year ended March 31, 2022, the Company made repayments of \$nil (2021 – \$nil). 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.

8. 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 year ended March 31, 2022, the Company made repayments of \$nil (2021 – \$nil).

9. 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:

	March 31, 2022	March 31, 2021
	\$	\$
Balance, beginning of the year	1,814,645	1,987,240
Accretion	33,389	20,400
Change in estimates	(117,109)	(192,995)
Balance, end of year	1,730,925	1,814,645
Less: current portion	-	(132,004)
Long-term portion	1,730,925	1,682,641

The present value of the decommissioning obligation of \$1,730,925 (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 has 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.

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10. SHARE CAPITAL

Shares authorized, issued and outstanding at March 31, 2022 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

- 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 22, 2022 the Company completed a nonbrokered 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 share subscriptions receivable which was received subsequent thereto.

- 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.

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10. SHARE CAPITAL (Cont'd)

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.

The Company uses the Black-Scholes option pricing model to estimate the fair value for all stock-based compensation. The assumptions used in this pricing model, and the resulting fair values per option, for the stock options granted during the year ended March 31, 2022, are as follows:

Risk-free interest rate	1.84%
Expected life	5 years
Expected volatility	170%
Expected dividend yield	0%
Expected forfeiture rate	0%
Fair value per option	\$0.06

A summary of stock options cancelled, granted and exercised during the years ended March 31, 2022 and March 31, 2021 is as follows:

	Number of Options	March 31, 2022 Weighted Average Excise Price \$	Number of Options	March 31, 2021 Weighted Average Excise Price \$
Balance, beginning of year	-	-	-	-
Granted	2,750,000	0.06	-	-
Balance, end of period	2,750,000	0.06	-	-

A summary of stock options outstanding and exercisable at March 31, 2022 is as follows:

Weighted average excise price	Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted average remaining life
\$ 0.06	September 29, 2021	September 29, 2026	2,750,000	2,750,000	4.50

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10. SHARE CAPITAL (Cont'd)

e) Earnings (loss) per share

The diluted earnings per share calculation includes the impact of all warrants and stock options outstanding during the year. During the year ended March 31, 2022, all stock options have been included in the calculation of diluted shares outstanding as they would be dilutive.

	March 31, 2022	March 31, 2021
	\$	\$
Weighted average common shares		
Basic	35,889,096	31,535,000
Effect of stock options	916,667	-
Diluted	36,805,763	31,535,000

11. INCOME TAXES

A reconciliation of the expected income tax expense (recovery) at Canadian federal and provincial statutory rates with the actual income tax expense (recovery) is as follows:

	Year ended March 31, 2022	Year ended March 31, 2021
	\$	\$
Net income (loss) for the year	102,089	432,809
Statutory income tax rate	23.0%	23.5%
Expected income tax expense (recovery) at statutory rates	23,480	101,710
Change in tax rates	-	(2,220)
Permanent differences	33,375	7,423
Other differences	(7,679)	(4,794)
Change in deferred income tax	(49,176)	(102,119)
Income tax expense (recovery)	-	-

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	March 31, 2022	March 31, 2021
	\$	\$
Deferred income tax assets (liabilities):		
Equipment and vehicles	73,100	73,100
Share issue costs	511	832
Decommissioning liabilities	398,113	417,368
Oil and gas properties	(33,445)	27,578
Non-capital losses available for future periods	1,483,520	1,452,097
	1,921,799	1,970,975
Deferred income tax assets not recognized	(1,921,799)	(1,970,975)
Net deferred income tax assets	-	-

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11. INCOME TAXES (Cont'd)

As at March 31, 2022, the Company has non-capital losses carried forward of \$6,246,083 (2021 – \$6,109,459) which are available to offset future years' taxable income. These losses expire as follows:

	\$
2027	351,188
2028	324,501
2029	845,837
2030	517,654
2031	535,903
2032	454,544
2033	542,278
2034	561,148
2035	502,514
2036	430,898
2039	71,910
2040	336,095
2041	634,989
2042	136,624
	6,246,083

12. MAJOR CUSTOMER

During the year ended March 31, 2022 the Company earned \$1,406,016 (2021 – \$759,110) of its petroleum and natural gas sales from one customer, representing 94% (2021 – 91%) of the Company's total petroleum and natural gas sales.

13. 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, payable to related parties, convertible loans payable and loan payable are recorded at amortized cost. Cash and cash equivalents are recorded at fair value using Level 1 measurements.

	Financial instrument classification	March 31, 2022		March 31, 2021	
		Carrying Value	Estimated Fair value	Carrying Value	Estimated Fair value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	468,303	468,303	376,009	376,009
Trade receivables	Amortized cost	203,399	203,399	109,025	109,025
Financial liabilities					
Trade and other payables	Amortized cost	1,481,923	1,481,923	1,407,902	1,407,902
Payable to related parties	Amortized cost	179,498	179,498	197,498	197,498
Convertible loans payable	Amortized cost	695,844	698,844	694,495	694,495
Loan payable	Amortized cost	60,000	60,000	60,000	60,000

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13. FINANCIAL INSTRUMENTS (Cont'd)

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 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 March 31, 2022 and 2021 are as follows:

	Balance at March 31, 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	468,303	468,303	-	-	468,303

	Balance at March 31, 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	376,009	376,009	-	-	376,009

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 March 31, 2022 (2021 – \$10,160).

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13. 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 \$1,661,421 in accounts payable and payable to related parties which are overdue at March 31, 2022, a working capital deficiency of \$1,637,269 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 March 31, 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	1,481,923	-	-	-	1,481,923
Payable to related parties	179,498	-	-	-	179,498
Convertible loans payable	695,844	-	-	-	695,844
Load payable	-	-	60,000	-	60,000
	2,357,265	-	60,000	-	2,417,265

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 income and comprehensive income.

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.

13. FINANCIAL INSTRUMENTS (Cont'd)

Commodity price risk (cont'd)

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 March 31, 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.
- (ii) As at March 31, 2022 for a 10% increase/decrease in the price of oil and gas would increase/decrease net loss and comprehensive loss by approximately \$165,000 based upon March 2022 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

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that its monetary assets and liabilities are denominated in US dollar.

14. 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, 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.

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(Expressed in Canadian Dollars)

14. 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, 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.

15. EMPLOYEE BENEFITS

Employee benefits included in general and administrative expenses are as follows:

	Year ended March 31, 2022	Year ended March 31, 2021
	\$	\$
Salaries	216,670	185,000
Other employee benefits	5,012	4,128
Total	221,682	189,128

16. SUBSEQUENT EVENTS

On April 27, 2022 the Company announced that had entered into an agreement for a loan transaction providing for an additional infusion of capital in the amount of \$500,000 to further assist with its upcoming drilling program at Provost, Alberta. The Loan is from a company controlled by a major shareholder of the Company, who is an insider by virtue of owning greater than 10% of the issued and outstanding shares of the Company. The commercial terms of the loan has been set at an interest rate of 9% per annum. The loan is to be repaid from the expected revenue from the spud date of the new well at Provost with fifty percent (50%) of the revenue being used for the purposes of repaying the Loan. The Loan is unsecured and matures one year from the date that the loan agreement was entered into. Finalization of the Loan is subject to approval of the TSX Venture Exchange.

On June 9, 2022, a total of 125,000 of the stock options granted in Note 10d were exercised.