

**WESCAN ENERGY CORP.**  
**CONDENSED INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**SECOND QUARTER REPORT**

**For the three and six months ended**

**September 30, 2023**

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE TO READER**

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

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

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

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

|   | Notes | September 30,<br>2023 | March 31, 2023      |
|---|-------|-----------------------|---------------------|
| <b>ASSETS</b>                                     |       |                       |                     |
| <b>CURRENT ASSETS</b>                             |       |                       |                     |
| Cash  |       | \$ 249,781            | \$ 440,569          |
| Trade and other receivables                       | 4     | 252,043               | 327,007             |
| Prepaid expenses and deposits                     |       | 8,037                 | 8,037               |
| <b>Total current assets</b>                       |       | <b>509,861</b>        | <b>775,613</b>      |
| <b>NON-CURRENT ASSETS</b>                         |       |                       |                     |
| Oil and gas properties                            | 5     | 6,061,727             | 6,265,006           |
| <b>TOTAL ASSETS</b>                               |       | <b>\$ 6,571,588</b>   | <b>\$ 7,040,619</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |       |                       |                     |
| <b>CURRENT LIABILITIES</b>                        |       |                       |                     |
| Trade and other payables                          |       | \$ 1,483,471          | \$ 1,879,892        |
| Payable to related parties                        | 6     | 25,068                | 173,037             |
| Notes payable                                     | 7     | 1,607,319             | 1,562,707           |
| Loan payable                                      | 8     | 60,000                | 60,000              |
| <b>Total current liabilities</b>                  |       | <b>3,175,858</b>      | <b>3,675,636</b>    |
| <b>NON-CURRENT LIABILITIES</b>                    |       |                       |                     |
| Decommissioning obligations                       | 9     | 1,793,307             | 1,768,147           |
| <b>TOTAL LIABILITIES</b>                          |       | <b>4,969,165</b>      | <b>5,443,783</b>    |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                       |                     |
| Share capital                                     | 10    | 14,365,882            | 14,365,882          |
| Equity reserves                                   | 10    | 1,694,167             | 1,694,167           |
| Deficit   |       | (14,457,626)          | (14,463,213)        |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |       | <b>1,602,423</b>      | <b>1,596,836</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <b>\$ 6,571,588</b>   | <b>\$ 7,040,619</b> |

**Going concern (note 1)**

**Approved and authorized for issuance on behalf of the Board of Directors:**

**“Leo Berezan”**  
Leo Berezan, Director

**“Sohaib Abbas”**  
Sohaib Abbas, Director

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

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

|   | Notes | Three Months Ended<br>September 30 |                 | Six Months Ended September<br>30 |                  |
|---|-------|------------------------------------|-----------------|----------------------------------|------------------|
|   |       | 2023                               | 2022            | 2023                             | 2022             |
| <b>REVENUE</b>                                  |       |                                    |                 |                                  |                  |
| Petroleum and natural gas sales                 |       | \$ 740,598                         | \$ 801,047      | \$ 1,456,521                     | \$ 1,900,462     |
| Less: royalties                                 |       | (63,769)                           | (139,611)       | (99,515)                         | (332,726)        |
| <b>Revenues, net of royalties</b>               |       | <b>676,829</b>                     | <b>661,436</b>  | <b>1,357,006</b>                 | <b>1,567,736</b> |
| <b>EXPENSES</b>                                 |       |                                    |                 |                                  |                  |
| Operating costs                                 |       | 293,145                            | 262,127         | 650,351                          | 849,538          |
| Depletion, depreciation and accretion           | 5, 9  | 134,077                            | 148,560         | 308,900                          | 273,160          |
| General and administrative                      | 6     | 221,891                            | 150,373         | 344,021                          | 269,143          |
| <b>TOTAL EXPENSES</b>                           |       | <b>649,113</b>                     | <b>561,060</b>  | <b>1,303,272</b>                 | <b>1,391,841</b> |
| <b>OTHER INCOME (EXPENSE)</b>                   |       |                                    |                 |                                  |                  |
| Finance and interest expense                    | 7     | (24,630)                           | (11,642)        | (48,366)                         | (15,822)         |
| Foreign exchange gain (loss)                    |       | 603                                | -               | 219                              | -                |
| <b>TOTAL OTHER INCOME (EXPENSES)</b>            |       | <b>(24,027)</b>                    | <b>(11,642)</b> | <b>(48,147)</b>                  | <b>(15,822)</b>  |
| <b>NET INCOME AND COMPREHENSIVE INCOME</b>      |       |                                    |                 |                                  |                  |
|   |       | \$ 3,689                           | \$ 88,734       | \$ 5,587                         | \$ 160,073       |
| <b>Basic and diluted earnings per share</b>     |       |                                    |                 |                                  |                  |
|   |       | \$ 0.00                            | \$ 0.00         | \$ 0.00                          | \$ 0.00          |
| <b>Weighted average number of common shares</b> |       |                                    |                 |                                  |                  |
|   |       | 41,347,958                         | 41,347,958      | 41,347,958                       | 41,347,958       |

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

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

**September 30, 2023**

|                                      | Share Capital       |              | Equity Reserves | Share<br>Subscription<br>Receiveable | Deficit      | Total     |
|--------------------------------------|---------------------|--------------|-----------------|--------------------------------------|--------------|-----------|
|                                      | Number of<br>Shares | Amount<br>\$ |                 |                                      |              |           |
| <b>Balance at March 31, 2023</b>     | 41,472,958          | 14,365,882   | 1,694,167       | -                                    | (14,463,213) | 1,596,836 |
| Net loss for the period              | -                   | -            | -               | -                                    | 5,587        | 5,587     |
| <b>Balance at September 30, 2023</b> | 41,472,958          | 14,365,882   | 1,694,167       | -                                    | (14,457,626) | 1,602,423 |

**September 30, 2022**

|                                      | Share Capital       |              | Equity Reserves | Share<br>Subscription<br>Receiveable | Deficit      | Total     |
|--------------------------------------|---------------------|--------------|-----------------|--------------------------------------|--------------|-----------|
|                                      | Number of<br>Shares | Amount<br>\$ |                 |                                      |              |           |
| <b>Balance at March 31, 2022</b>     | 41,347,958          | 14,358,382   | 1,694,167       | (325,000)                            | (14,046,908) | 1,680,641 |
| Share subscription received          | -                   | 7,500        | -               | 325,000                              | -            | 332,500   |
| Net loss for the period              | -                   | -            | -               | -                                    | 160,073      | 160,073   |
| <b>Balance at September 30, 2022</b> | 41,347,958          | 14,365,882   | 1,694,167       | -                                    | (13,886,835) | 2,173,214 |

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

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

|   | Notes | Three Months Ended September 30 |              | Six Months Ended September 30 |              |
|---|-------|---------------------------------|--------------|-------------------------------|--------------|
|   |       | 2023                            | 2022         | 2023                          | 2022         |
| <b>OPERATING</b>                                |       |                                 |              |                               |              |
| Net income and comprehensive income             |       | \$ 3,689                        | \$ 88,734    | \$ 5,587                      | \$ 160,073   |
| Adjustments for:                                |       |                                 |              |                               |              |
| Depletion, depreciation and accretion           | 5, 9  | 134,077                         | 148,560      | 308,900                       | 256,060      |
| Interest expense                                | 7     | 22,427                          | 11,683       | 44,611                        | 15,855       |
| Cash provided by (used in) operating activities |       | 160,193                         | 248,977      | 359,098                       | 431,988      |
| <b>CHANGE IN NON-CASH WORKING CAPITAL</b>       |       |                                 |              |                               |              |
| Trade and other receivables                     |       | (2,417)                         | 136,320      | 74,964                        | (138,378)    |
| Prepaid expenses and deposits                   |       | -                               | -            | -                             | 40,257       |
| Trade and other payables                        |       | (208,462)                       | 710,205      | (396,421)                     | 912,596      |
| Cash provided by (used in) operating activities |       | (50,686)                        | 1,095,502    | 37,641                        | 1,246,463    |
| <b>INVESTING</b>                                |       |                                 |              |                               |              |
| Expenditures on oil and gas properties          | 5     | (9,191)                         | (1,182,448)  | (80,460)                      | (1,182,448)  |
| Cash used in investing activities               |       | (9,191)                         | (1,182,448)  | (80,460)                      | (1,182,448)  |
| <b>FINANCING</b>                                |       |                                 |              |                               |              |
| Share subscription received                     | 10    | -                               | 7,500        | -                             | 332,500      |
| Advances from notes payable                     |       | -                               | 7,410        | -                             | 513,921      |
| Payments to related parties                     |       | (196,725)                       | -            | (147,969)                     | -            |
| Cash provided by financing activities           |       | (196,725)                       | 14,910       | (147,969)                     | 846,421      |
| Change in cash                                  |       | (256,602)                       | (72,036)     | (190,788)                     | 927,536      |
| Cash, beginning of year                         |       | 506,383                         | 1,467,875    | 440,569                       | 468,303      |
| Cash, end of year                               |       | \$ 249,781                      | \$ 1,395,839 | \$ 249,781                    | \$ 1,395,839 |

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

**WesCan Energy Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended September 30, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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**1. REPORTING ENTITY AND GOING CONCERN**

**Reporting entity**

WesCan Energy Corp. (“WesCan” or the “Company”) changed its name from Great Pacific International Inc. effective October 4, 2012. WesCan was incorporated on November 4, 1993 under the Business Corporations Act (Alberta), Canada. WesCan is a junior public resource company in the business of oil and gas exploration, development and production with oil and gas operations and property interests in Alberta, Canada and Texas, U.S.A. The common shares of WesCan trade on the TSX Venture Exchange (“TSX-V”) under the symbol WCE. The Company’s registered office 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 a going concern basis which contemplates that the Company will be able to continue its operations for the foreseeable future and realize its assets and discharge its liabilities in the normal course of operations.

At September 30, 2023 the Company has a working capital deficiency of \$2,665,997 and an accumulated deficit of \$14,457,626 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 debt or equity financing during the next fiscal year.

Furthermore, the Company will require additional financing to carry out the petroleum exploration and development required to offset production declines, increase oil and gas reserves and achieve a self-sustaining level of revenue. Management is actively pursuing new financings; however, there can be no assurance that it will be able to raise sufficient funds on acceptable terms.

These consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used. Those adjustments would be material.

**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”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at April 1, 2022. These consolidated financial statements were authorized for issuance by the Board of Directors on November 28, 2023.

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.

**WesCan Energy Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended September 30, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION (Cont'd)**

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. The company has one CGU.

*Deferred taxes*

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

*Going concern*

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

Significant estimates and assumptions

*Reserves and future development costs*

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

*Decommissioning obligations*

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.

*Stock-based compensation*

Compensation costs accrued for stock-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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash-generating unit level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use.

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

**WesCan Energy Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended September 30, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION (Cont'd)**

*Provision for expected credit losses*

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

**3. NEW AND PROPOSED ACCOUNTING PRONOUNCEMENTS**

The Company plans to adopt the following amendments to accounting standards, issued by the IASB, that are effective for annual periods beginning on or after April 1, 2023. The pronouncements will be adopted on their respective effective dates; however, each is not expected to have a material impact on the consolidated financial statements.

**Amendments to IAS 8 Changes in Estimates vs Changes in Accounting Policies**

In February 2021, the IASB issued amendments to IAS 8 Changes in Estimates vs. Changes in Accounting Policies, to help distinguish changes in accounting estimates from changes in accounting policies. This will be effective on April 1, 2023.

**Amendments to IAS 12 Income Taxes**

In May 2021, the IASB issued amendments to IAS 12 Income Taxes, which require entities to recognize deferred tax on transaction that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This will be effective on April 1, 2023.

**Amendments to IAS 1 Presentation of Financial Statements**

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statements of financial position. This will be effective on April 1, 2024.

In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. This will be effective on April 1, 2024. The Company will continue to monitor and assess for impacts from the amendment of IAS 1.

The Company does not anticipate any material impacts from these amendments on the consolidated financial statements as a result of the initial application.

**4. TRADE AND OTHER RECEIVABLES**

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

|   | <b>September 30, 2023</b> | March 31, 2023    |
|---|---------------------------|-------------------|
| Trade receivables from oil and gas property operators | \$ 252,043                | \$ 289,142        |
| Taxes receivables                                     | -                         | 37,865            |
| <b>Total</b>  | <b>\$ 252,043</b>         | <b>\$ 327,007</b> |

**WesCan Energy Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended September 30, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

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**5. OIL AND GAS PROPERTIES**

|   |                      |
|---|----------------------|
| <b>Cost</b>   |                      |
| <b>As at March 31, 2022</b>                                 | \$ 8,312,918         |
| Addition of oil and gas properties                          | 1,806,139            |
| Change in estimates of decommissioning obligations (note 9) | 4,245                |
| <b>As at March 31, 2023</b>                                 | <b>10,123,302</b>    |
| Addition of oil and gas properties                          | 80,460               |
| <b>As at September 30, 2023</b>                             | <b>\$ 10,203,762</b> |
| <b>Depletion, depreciation and impairment</b>               |                      |
| <b>As at March 31, 2022</b>                                 | \$ (3,204,084)       |
| Depletion and depreciation                                  | (654,212)            |
| <b>As at March 31, 2023</b>                                 | <b>(3,858,296)</b>   |
| Depletion and depreciation                                  | (283,739)            |
| <b>As at September 30, 2023</b>                             | <b>(4,142,035)</b>   |
| <b>Net book value</b>                                       | <b>\$</b>            |
| As at March 31, 2022  | 6,265,006            |
| <b>As at September 30, 2023</b>                             | <b>\$ 6,061,727</b>  |

At September 30, 2023, the Company did not identify indicators of impairment or reversal of previous impairments.

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 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.

**6. RELATED PARTY TRANSACTIONS AND BALANCES**

Related party transactions and balances entered into during the period ended September 30, 2023 and 2022 not disclosed elsewhere in these consolidated financial statements are as follows:

**Pavable 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.

|                                     | <b>September 30, 2023</b> | <b>March 31, 2023</b> |
|-------------------------------------|---------------------------|-----------------------|
| <b>Related payable for services</b> | <b>\$ 25,068</b>          | <b>\$ 173,037</b>     |

**WesCan Energy Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended September 30, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

**7. NOTES PAYABLE**

The Company has short-term notes payable to related parties. The notes are due on demand, bears interest between 7% and 9% per annum and are unsecured.

|                                  | September 30, 2023  | March 31, 2023      |
|----------------------------------|---------------------|---------------------|
| Balance, beginning of the period | \$ 1,562,707        | \$ 976,563          |
| Principal advanced               | -                   | 500,000             |
| Interest expense                 | 44,612              | 86,144              |
| <b>Balance, end of period</b>    | <b>\$ 1,607,319</b> | <b>\$ 1,562,707</b> |

**8. LOAN PAYABLE**

During the year ended June 30, 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 Company is unable to pay back the loan by December 31, 2023, it can be converted into a three-year term loan at an interest rate of 5%.

**9. DECOMMISSIONING OBLIGATIONS**

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

|                                | September 30, 2023  | March 31, 2023      |
|--------------------------------|---------------------|---------------------|
| Balance, beginning of the year | \$ 1,768,147        | \$ 1,730,925        |
| Accretion                      | 25,160              | 32,977              |
| Change in estimates (note 5)   | -                   | 4,245               |
| <b>Balance, end of period</b>  | <b>\$ 1,793,307</b> | <b>\$ 1,768,147</b> |

The following assumptions were used to estimate the decommissioning obligations for 2023:

|                               | September 30, 2023 | March 31, 2023 |
|-------------------------------|--------------------|----------------|
| Undiscounted cash flows       | \$2,825,571        | \$2,873,486    |
| Risk-free rate                | 2.47% to 3.02%     | 2.47% to 3.02% |
| Inflation rate                | 2.00%              | 2.00%          |
| Expected timing of cash flows | 2 to 14 years      | 2 to 14 years  |

**10. SHARE CAPITAL**

Shares authorized, issued and outstanding at September 30, 2023 are as follows:

**a) Authorized**

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

**WesCan Energy Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the three and six months ended September 30, 2023 and 2022**  
**(Expressed in Canadian Dollars)**

**10. SHARE CAPITAL (Cont'd)**

**b) Issued**

On March 22, 2022 the Company completed a non-brokered private placement of common shares issuing 5,000,000 at a price of \$0.10 per common share for gross proceeds of \$500,000. As at March 31, 2022, \$325,000 of the proceeds were recorded as share subscriptions receivable which was received during the year ended March 31, 2023.

**c) Equity reserves**

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

**d) 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.

A summary of stock options cancelled, granted and exercised during the years ended September 30, 2023 and March 31, 2023 is as follows:

|                               | September 30, 2023 |                                    | March 31, 2023    |                                    |
|-------------------------------|--------------------|------------------------------------|-------------------|------------------------------------|
|                               | Number of Options  | Weighted Average Exercise Price \$ | Number of Options | Weighted Average Exercise Price \$ |
| Balance, beginning of period  | 2,750,000          | 0.06                               | 2,750,000         | 0.06                               |
| Terminated                    | (150,000)          | -                                  | -                 | -                                  |
| Exercised                     | (125,000)          | -                                  | -                 | -                                  |
| <b>Balance, end of period</b> | <b>2,475,000</b>   | <b>0.06</b>                        | <b>2,750,000</b>  | <b>-</b>                           |

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

A summary of stock options outstanding and exercisable at September 30, 2023 is as follows:

| Weighted average exercise Price | Date of Grant      | Expiry Date        | Outstanding | Exercisable | Weighted average remaining life |
|---------------------------------|--------------------|--------------------|-------------|-------------|---------------------------------|
| \$ 0.06                         | September 29, 2021 | September 29, 2026 | 2,475,000   | 2,475,000   | 3.00                            |

**e) Earnings (loss) per share**

The diluted earnings per share calculation includes the impact of all warrants and stock options outstanding during the year. At September 30, 2023 and 2022, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

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**11. FINANCIAL INSTRUMENTS**

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

Financial instruments, consisting of trade and other receivables, trade and other payables, balances payable to related parties and convertible loans payable are recorded at amortized cost. Cash and cash equivalents are recorded at fair value using Level 1 measurements.

|                              | Financial instrument classification | September 30, 2023 |                      | March 31, 2023 |                      |
|------------------------------|-------------------------------------|--------------------|----------------------|----------------|----------------------|
|                              |                                     | Carrying Value     | Estimated Fair value | Carrying Value | Estimated Fair value |
| <b>Financial assets</b>      |                                     |                    |                      |                |                      |
| Cash                         | Fair value through profit or loss   | 249,781            | 249,781              | 440,569        | 440,569              |
| Trade and other receivables  | Amortized cost                      | 252,043            | 252,043              | 327,007        | 327,007              |
| <b>Financial liabilities</b> |                                     |                    |                      |                |                      |
| Trade and other payables     | Amortized cost                      | 1,483,471          | 1,483,471            | 1,879,892      | 1,879,892            |
| Payable to related parties   | Amortized cost                      | 25,068             | 25,068               | 173,037        | 173,037              |
| Notes payable                | Amortized cost                      | 1,607,319          | 1,607,319            | 1,562,707      | 1,562,707            |
| Loan payable                 | Amortized cost                      | 60,000             | 60,000               | 60,000         | 60,000               |

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

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

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date for similar assets and liabilities.

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

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as of September 30, 2023 and 2022 are as follows:

|                | Balance at September 30, 2023 | Quoted Prices in Active Markets     |   |   | Total   |
|----------------|-------------------------------|-------------------------------------|---|---|---------|
|                |                               | For Identical Instruments (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |         |
|                |                               | \$                                  | \$                                      | \$  | \$      |
| <b>Assets:</b> |                               |                                     |   |   |         |
| Cash           | 249,781                       | 249,781                             | -                                       | -   | 249,781 |

|                | Balance at September 30, 2022 | Quoted Prices in Active Markets     |   |   | Total     |
|----------------|-------------------------------|-------------------------------------|---|---|-----------|
|                |                               | For Identical Instruments (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |           |
|                |                               | \$                                  | \$                                      | \$  | \$        |
| <b>Assets:</b> |                               |                                     |   |   |           |
| Cash           | 1,395,839                     | 1,395,839                           | -                                       | -   | 1,395,839 |

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**11. FINANCIAL INSTRUMENTS (Cont'd)**

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash and trade and other receivables. Cash 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.

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

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure. The Company has an allowance for expected credit losses of \$10,160 as at September 30, 2023 (2022 – \$10,160).

Capital market risk and liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company aims to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company faces material liquidity risk in that it has approximately \$1,508,539 in accounts payable and payable to related parties which are overdue at September 30, 2023, a working capital deficiency of \$2,665,997 and insufficient cash on hand to satisfy its debts should they be demanded (see Note 1).

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

The following table details the contractual maturities of the Company's financial liabilities as at September 30, 2023:

|                            | Due in 1-3<br>months | Due in 4-12<br>months | Due in 1-2<br>years | Due in >2<br>years | Total            |
|----------------------------|----------------------|-----------------------|---------------------|--------------------|------------------|
| Trade and other payables   | 1,483,471            | -                     | -                   | -                  | 1,483,471        |
| Payable to related parties | 25,068               | -                     | -                   | -                  | 25,068           |
| Notes payable              | 1,607,319            | -                     | -                   | -                  | 1,607,319        |
| Loan payable               | -                    | -                     | 60,000              | -                  | 60,000           |
|                            | <b>3,115,858</b>     | <b>-</b>              | <b>60,000</b>       | <b>-</b>           | <b>3,175,858</b> |

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 (loss) and comprehensive income (loss).

Commodity price risk

The Company is exposed to material oil and gas commodity price risk. A relative decrease in the price of oil and gas would reduce the Company's cash flows, reduce the realizable market value of the Company's oil and gas assets, reduce the Company's economic reserves, and make it more difficult for the Company to raise the equity capital required to meet its commitments and carry out its development-stage business plans. Management has assessed that the Company's degree of exposure to commodity price risk is material, but consistent with oil and gas business operations.

The Company's operational results and financial position are materially impacted by global financial and commodity market volatility over which it has no control.

As the Company did not have any derivatives contracts in place as at September 30, 2023, the sensitivity of the fair value of a 10% volatility in commodity prices would have an immaterial impact on income (loss) reported in the consolidated statements of income (loss) and comprehensive income (loss).

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**11. FINANCIAL INSTRUMENTS (Cont'd)**

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

Oil and gas tend to be priced in US dollars therefore a decrease in the value of the US dollar would have an immaterial impact on the results of operations. The Company is not exposed to significant foreign currency risk on its US dollar denominated assets and financial liabilities.

Concentration risk

During the period ended September 30, 2023, the Company generated approximately 99% (2022 – 94%) of its petroleum and natural gas sales from one customer.

**12. CAPITAL MANAGEMENT**

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

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

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

The Company's capital management plan seeks to ensure adequate resources are available to fund its activities through the balance of the current fiscal year. A significant measure used in assessing capital adequacy is thus the expected number of days of operations that can be funded from current working capital. Capital levels are deemed sufficient if they can fund the balance of the annual exploration season and development goals and fund corporate overhead expenses in the near term. The Company lacks sufficient capital to carry out development or fund its corporate overhead expenses through the period ended September 30, 2023. 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.