WESCAN ENERGY CORP.

CONDENSED INTERIM
CONSOLIDATED FNANCIAL STATEMENTS

FIRST QUARTER REPORT

For the three months ended

June 30, 2020

(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)

	June 30, 2020	March 31, 2020
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	374,247	416,995
Trade and other receivables (Note 4)	100,554	41,704
Prepaid expenses and deposits	40,462	6,418
Total current assets	515,263	465,117
Non-current assets		
Oil and gas properties (Note 5)	3,884,391	3,936,317
Office equipment (Note 6)	1,218	1,625
Total non-current assets	3,885,609	3,937,942
TOTAL ASSETS	4,400,872	4,403,059
LIABILITIES		
Current liabilities		
Trade and other payables	1,128,934	963,299
Payable to related parties (Note 7)	211,001	211,427
Convertible loans payable (Note 8)	693,480	693,143
Current portion of decommissioning provision (Note 9)	125,793	125,793
Total current liabilities	2,159,208	1,993,662
Non-current liabilities		
Decommissioning provision (Note 9)	1,866,547	1,861,447
Total liabilities	4,025,755	3,855,109
SHAREHOLDERS`EQUITY		
Share capital (Note 10)	13,591,517	13,591,517
Equity reserves (Note 10)	1,538,240	1,538,240
Deficit	(14,754,640)	(14,581,807)
Total shareholders` equity	375,117	547,950
TOTAL LIABILITIES AND SHAREHOLDERS` EQUITY	4,400,872	4,403,059

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

"Greg Busby"
Greg Busby, Director

"Richard D. Orman"
Richard D. Orman, Director

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

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

	June 30, 2020	June 30, 2019
	$	$
REVENUE		
Petroleum and natural gas sales	124,454	440,388
Less: royalties	(9,679)	(35,872)
Revenues, net of royalties	114,775	404,516
EXPENSES		
Operating costs	145,633	296,142
Depletion, depreciation and accretion	57,433	116,630
General and administrative	84,542	111,738
	287,608	524,510
Net loss from operating activities	**(172,833)**	**(119,994)**
Other income (expense)		
Finance and interest expense	-	(8,837)
Net income (loss) and comprehensive income (loss)	**(172,833)**	**(128,831)**
Basic and diluted earnings per share	$ (0.01)	$ (0.00)
Weighted average number of common shares outstanding	31,359,658	31,359,658

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

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

June 30, 2020

	Share Capital				
	Number of Shares	Amount $	Equity Reserves $	Deficit $	Total $
Balance at March 31, 2020	31,359,658	13,591,517	1,538,240	(14,581,807)	547,950
Net loss for the period	-	-	-	(172,833)	(172,833)
Balance at June 30, 2020	31,359,658	13,591,517	1,538,240	(14,754,640)	375,117

June 30, 2019

	Share Capital				
	Number of Shares	Amount $	Equity Reserves $	Deficit $	Total $
Balance at March 31, 2019	31,359,658	13,591,517	1,538,240	(11,633,635)	3,496,122
Net loss for the period	-	-	-	(128,831)	(128,831)
Balance at June 30, 2019	31,359,658	13,591,517	1,538,240	(11,762,466)	3,367,291

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)

	June 30, 2020	June 30, 2019
	$	$
Operating activities		
Net loss	(172,833)	(128,831)
Non-cash items:		
Depletion	51,926	87,801
Depreciation	407	21,229
Accretion	5,100	7,600
Interest expense	-	8,837
	(115,400)	(3,364)
Change in non-cash working capital items:		
Increase in trade and other receivables	(58,850)	83,105
Increase in prepaid expenses and deposit	(34,044)	3,476
Increase (decrease) in trade and other payables	165,635	35,606
Net cash provided by (used in) operating activities	(42,659)	118,823
Financing activities		
Loans, net of repayments	337	(33,500)
Advances from (payments to) related parties	(426)	(58,016)
Net cash provided by financing activities	(89)	(91,516)
Change in cash and cash equivalents	(42,748)	27,307
Cash and cash equivalents, beginning of period	416,995	528,452
Cash and cash equivalents, end of period	**374,247**	**555,759**

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

1. REPORTING ENTITY AND GOING CONCERN

Reporting entity

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

Going concern

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

At June 30, 2020 the Company had a working capital deficiency of $1,643,945 and an accumulated deficit of $14,754,640 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 payments, participation and lease obligations, discharge all liabilities and meet all commitments, the Company will need to raise additional funds through equity financing(s) 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 a world-wide pandemic resulting from the coronavirus (COVID-19) outbreak. As the disease rapidly spread across the globe, many countries have required companies to limit or suspend business operations, implemented travel restrictions, and ordered individuals to stay at home. These measures have materially impacted the demand for the Company's oil and gas products. The current lack of global demand combined with the over-supply of oil has resulted in a significant decrease in spot and forward oil prices.

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

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

2. BASIS OF PRESENTATION

Basis of presentation

a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved for issuance by the Board of Directors on October 8, 2020.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for share-based payment transactions and financial instruments, which are measured at fair value, as explained in Note 3.

c) Functional and presentation currency:

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

d) Significant accounting estimates and judgments:

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

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

Significant judgments

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

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

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

Significant estimates and assumptions

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

(Expressed in Canadian Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS

New accounting standards adopted by the Company

New accounting standards to be adopted April 1, 2019

IFRS 16 Leases:

The Company adopted IFRS 16 – Leases ("IFRS 16") effective on April 1, 2019. IFRS 16 sets out a new model for lease accounting, bringing off-balance sheet leasing arrangements onto the balance sheet. Under IFRS 16 a single recognition and measurement model for leases applies, with required recognition of assets and liabilities for most leases. The adoption of IFRS 16 did not have any effect on the Company's financial statements as the Company did not have any long-term leases during the years ended June 30, 2020 and 2019.

4. TRADE AND OTHER RECEIVABLES

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

	June 30, 2020 $	March 31, 2020 $
Trade receivables from oil and gas property operators	96,512	41,704
Taxes receivables	4,042	-
Total	**100,554**	**41,704**

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.

Cost	$
As at March 31, 2019	8,281,590
Change in decommissioning liabilities (Note 9)	73,272
As at March 31, 2020	8,354,862
Change in decommissioning liabilities (Note 9)	268,160
As at June 30, 2020	**8,623,022**
Depletion, depreciation and impairment	$
As at March 31, 2019	(1,645,057)
Depletion and depreciation	(479,558)
As at March 31, 2020	(2,124,615)
Depletion and depreciation	(395,116)
Impairment	(2,166,974)
As at March 31, 2020	(4,686,705)
Depletion and depreciation	(51,926)
As at June 30, 2020	**(4,738,631)**
Net book value	$
As at March 31, 2019	6,230,247
As at March 31, 2020	3,936,317
As at June 30, 2020	**3,884,391**

(Expressed in Canadian Dollars)

5. OIL AND GAS PROPERTIES (Cont'd)

At March 31, 2020, the Company recorded an impairment charge against the oil and gas properties in the amount of $2,166,974 to write-down the property costs to the estimated recoverable amount of $3,936,317 at March 31, 2020. The impairment resulted from a material decline in forward benchmark 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 2020 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 (see Note 10).

6. OFFICE EQUIPMENT

Cost	$
As at March 31, 2019 and 2018	7,864
Additions	3,250
As at March 31, 2020	**11,114**

Accumulated depreciation	$
As at March 31, 2019 and 2018	(7,864)
Depreciation	(1,625)
As at March 31, 2020	**(9,489)**
Depreciation	(407)
As at June 30, 2020	**(9,896)**

Net book value	$
As at March 31, 2019	-
As at March 31, 2020	1,625
As at June 30, 2020	**1,218**

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the years ended June 30, 2020 and 2019 not disclosed elsewhere in these consolidated financial statements are as follows:

Payable to related parties

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

	June 30, 2020	March 31, 2020
	$	$
Related party payable for services	**211,001**	**211,427**

(Expressed in Canadian Dollars)

8. CONVERTIBLE LOANS PAYABLE

At June 30, 2020, the Company has short-term convertible loans payable to unrelated parties in the amount of $693,480 (2019 – $743,127). These loans are due on demand, bear interest up to 10% per annum and are unsecured. During the year ended March 31, 2020, the Company made repayments of $76,000. 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 therefore has not ascribed any value to the equity components of these convertible loans.

9. DECOMISSIONING 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:

	June 30, 2020 $	March 31, 2020 $
Balance, beginning of the year	1,987,240	1,686,034
Accretion	5,100	33,046
Change in estimates	-	268,160
Balance, end of year	1,992,340	1,987,240
Less: current portion	(125,793)	(125,793)
Long-term portion	**1,866,547**	**1,861,447**

The present value of the decommissioning obligation of $1,987,240 (2019 - $1,686,034) was calculated using an average risk-free rate of 1.10% (2019 – 1.96%) and inflation rate of 1.78% (2019 – 1.78%). The weighted average life of wells has been estimated at approximately 14 years (2019 – 24 years). At March 31, 2020, the undiscounted value of the obligation is $2,050,000 (2019 – $1,979,000). Reclamation activities are expected to occur between 2021 and 2035.

10. SHARE CAPITAL

Shares authorized, issued and outstanding at June 30, 2020 are as follows:

a) Authorized

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

b) Issued

	Number of common shares	Amount $
Balance at March 31, 2020 and 2019	31,359,658	13,591,517
Balance at June 30, 2020	31,359,658	13,591,517

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Cont'd)

On March 8, 2018, the Company completed a non-brokered private placement, issuing 6,666,667 Units at $0.075 per unit for total proceeds of $500,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one common share for a period of 24 months from the closing date at an exercise price of $0.10 per share. The Company incurred share issuance costs of $11,092 and issued 73,500 finders warrants in connection with the private placement. Each finders warrant entitled the holder to purchase one common share for a period of 24 months from the closing date at an exercise price of $0.10 per share.

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. If the options expire unexercised, the amount recorded is transferred to deficit.

d) Share Purchase Warrants

A summary of share purchase warrants issued and exercised during the period ended June 30, 2020 and year-ended March 31, 2020 is as follows:

	June 30, 2020		March 31, 2020	
	Number of warrants	Weighted Average Exercise Price per warrant $	Number of warrants	Weighted Average Exercise Price per warrant $
Balance, beginning of year	-	-	6,740,167	0.10
Expired	-	-	(6,740,167)	0.10
Balance, outstanding and exercisable, end of year	**-**	**-**	**-**	**0.10**

e) Stock options

The Company has established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to officers, directors, 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 share purchase options cancelled, granted and exercised during the period ended June 30, 2020 and year-ended March 31, 2020 is as follows:

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Cont'd)

	June 30, 2020		March 31, 2020	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance, beginning of year	-	-	-	-
Expired	-	-	-	-
Balance, end of year	**-**	**-**	**-**	**-**

f) Earnings (loss) per share

The diluted earnings per share calculation includes the impact of all warrants and stock options outstanding during the year. At June 30, 2020 and at year-ended March 31, 2020, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

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	June 30, 2020		March 31, 2020	
		Carrying Value $	Estimated Fair value $	Carrying Value $	Estimated Fair value $
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	374,247	374,247	416,995	416,995
Trade and other receivables	Amortized cost	100,554	100,554	41,704	41,704
Financial liabilities					
Trade and other payables	Amortized cost	1,128,934	1,128,934	963,299	963,299
Payable to related parties	Amortized cost	211,001	211,001	211,427	211,427
Convertible loans payable	Amortized cost	693,480	693,480	693,143	693,143

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.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (Cont'd)

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 June 30, 2020 and June 30, 2019 are as follows:

	Balance at June 30, 2020	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	374,247	374,247	-	-	374,247

	Balance at June 30, 2019	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	555,759	555,759	-	-	555,759

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 June 30, 2020 (2019 – $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 $1,339,935 in accounts payable and payable to related parties which are overdue at June 30, 2020, a working capital deficiency of $1,643,945 and insufficient cash on hand to satisfy its debts should they be demanded (see Note 1).

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (Cont'd)

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 June 30, 2020:

	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	28,934	-	-	-	28,934
Payable to related parties	211,001	-	-	-	211,001
Convertible loans payable	693,480	-	-	-	693,480
	933,415	**-**	**-**	**-**	**933,415**

Interest rate risk

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

Commodity price risk

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

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

(i) The Company is not exposed to significant foreign currency risk on its US dollar denominated assets and financial liabilities. At June 30, 2020, 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 June 30, 2020 for a 10% increase/decrease in the price of oil and gas, revenue would increase/decrease by approximately $12,000 based upon June 2020 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.

11. FINANCIAL INSTRUMENTS (Cont'd)

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.

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 year ended June 30, 2021. 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.

13. SUBSEQUENT EVENT

On May 7, 2020, the Company announced a proposed non-brokered private placement of up to 4,000,000 common shares of the Corporation, ("Common Shares") at a subscription price of $0.05 per Common Share for gross proceeds of up to $200,000 (the "Offering"). The securities issued under this Offering will be subject to a four-month plus one day hold period from the date of closing. Closing of the Offering is subject to the acceptance of the TSX Venture Exchange. Proceeds from the Offering will be used for the further development and workovers of certain wells located at the Company's core area in Provost, Alberta and for general working capital purposes. As at September 11, 2020, the Company has received subscription proceeds for the private placement of $25,000 for 500,000 shares.