WESCAN ENERGY CORP.

CONDENSED INTERIM
CONSOLIDATED FNANCIAL STATEMENTS

THIRD QUARTER REPORT

For the three and nine months ended

December 31, 2018

(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)

	December 31, 2018	March 31, 2018
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	675,805	400,408
Trade and other receivables	94,468	148,764
Prepaid expenses and deposits	2,185	9,560
Total current assets	772,458	558,732
Non-current assets		
Oil and gas properties (Note 4)	6,245,445	6,636,533
Total non-current assets	6,245,445	6,636,533
TOTAL ASSETS	7,017,903	7,195,265
LIABILITIES		
Current liabilities		
Trade and other payables	791,234	756,073
Payable to related parties (Note 5)	161,550	241,594
Convertible loans payable (Note 6)	768,460	950,384
Current portion of decommissioning provision (Note 7)	60,448	60,448
Total current liabilities	1,781,692	2,008,499
Non-current liabilities		
Decommissioning provision (Note 7)	1,544,114	1,519,514
Total liabilities	3,325,806	3,528,013
SHAREHOLDERS`EQUITY		
Share capital (Note 8)	13,591,517	13,170,267
Equity reserves (Note 8)	1,538,240	1,538,240
Deficit	(11,437,660)	(11,041,255)
Total shareholders` equity	3,692,097	3,667,252
TOTAL LIABILITIES AND SHAREHOLDERS` EQUITY	7,017,903	7,195,265

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 and nine months ended
(Expressed in Canadian Dollars – unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
	2018	2017	2018	2017
	$	$	$	$
REVENUE				
Petroleum and natural gas sales	283,808	501,680	1,463,886	1,300,187
Less: royalties	(37,780)	(47,473)	(146,009)	(134,822)
	246,028	454,207	1,317,877	1,165,365
EXPENSES				
Operating costs	358,329	318,490	929,543	746,449
Depletion and accretion	101,388	149,837	415,688	451,026
Genral and administrative	99,525	139,915	359,379	398,402
	559,242	608,242	1,704,610	1,595,877
Net loss from operating activities	(313,214)	(154,035)	(386,733)	(430,512)
Other income (expenses)				
Finance and Interest expense	(640)	(27,082)	(9,674)	(42,684)
Net loss and comprehensive loss	**(313,854)**	**(181,117)**	**(396,407)**	**(473,196)**
Basic and diluted loss per share (note 8 (f))	($0.01)	($0.01)	($0.01)	($0.02)
Weighted average number of common shares outstanding	31,359,658	23,219,465	31,359,658	23,219,465

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 and nine months ended
(Expressed in Canadian Dollars – unaudited)

December 31, 2018

	Share Capital				
	Number of Shares	Amount $	Equity Reserves $	Deficit $	Total $
Balance at March 31, 2017	31,359,658	13,170,267	1,538,240	(11,041,255)	3,667,252
Share subscriptions received	-	421,250		-	421,250
Net loss for the period	-	-	-	(396,407)	(396,407)
Balance at December 31, 2018	31,359,658	13,591,517	1,538,240	(11,437,660)	3,692,095

December 31, 2017

	Share Capital				
	Number of Shares	Amount $	Equity Reserves $	Deficit $	Total $
Balance at March 31, 2016	21,753,991	12,899,689	1,538,240	(10,412,452)	4,025,477
Share isse for debt (Note 8)	2,939,000	220,425	-	-	220,425
Net loss for the period	-	-	-	(473,196)	(473,196)
Balance at December 31, 2017	24,692,991	13,120,114	1,538,240	(10,885,648)	3,772,706

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

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

	Three Months Ended December 31		Nine Months Ended December 31	
	2018	2017	2018	2017
	$	$	$	$
Operating activities				
Net loss	(313,854)	(181,117)	(396,407)	(473,196)
Non-cash items:				
Depletion	93,188	120,000	348,636	361,000
Depreciation	-	21,837	42,452	66,026
Accretion	8,200	8,000	24,600	24,000
Interest expense	640	27,082	9,674	42,684
	(211,826)	(4,198)	28,955	20,514
Change in non-cash working capital items:				
Increase in trade and other receivables	145,225	(75,558)	51,916	(33,149)
Increase in prepaid expenses and deposit	4,778	2,390	9,560	12,370
Increase (decrease) in trade and other payables	17,919	184,461	35,358	121,347
Net cash provided by (used in) operating activities	(43,904)	107,095	125,789	121,082
Investing activities				
Purchase of equipment	-	-	-	(1,903)
Expenditures on oil and gas properties	-	-	-	-
Net cash used in investing activities	-	-	-	(1,903)
Finance activities				
Shares issued for debt (Note 8)	-	-	-	220,425
Share subscreption received	7,500	-	421,250	-
Loans received, net of repayments	-	(104,386)	(191,598)	(308,406)
Advances from (payments to) related parties	(4,109)	41,985	(80,044)	75,441
Net cash provided by financing activities	3,391	(62,401)	149,608	(12,540)
Change in cash and cash equivalents	(40,513)	44,694	275,397	106,639
Cash and cash equivalents, beginning of period	716,318	303,922	400,408	241,977
Cash and cash equivalents, end of period	**675,805**	**348,616**	**675,805**	**348,616**

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 the Company has a working capital deficiency of $1,009,234 and an accumulated deficit of $11,437,660 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 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 adjustments that would be necessary if the going concern assumptions were not appropriate.

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 August 29, 2018.

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.

2. BASIS OF PRESENTATION (Cont'd)

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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

There were no new or revised accounting standards applicable to the Company scheduled for mandatory adoption on April 1, 2015, and thus no standards were adopted in the current year.

New accounting standards issued but not yet effective

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements:

New accounting standards to be adopted April 1, 2018

IFRS 15 Revenue from Contracts with Customers:

As of April 1, 2018, the Company will be required to adopt IFRS 15 Revenue from Contracts with Customers. The new standard replaces IAS 11 Construction Contracts; IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The new standard dictates the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue resulting from an entity's contracts with customers.

IFRS 9 Financial Instruments:

As of April 1, 2018, the Company will be required to adopt IFRS 9 Financial Instruments, which is the result of the first phase of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has two classification categories: amortized cost and fair value. In addition, updates have also been applied surrounding hedge accounting requirements which are now more aligned with an entity's risk management activities.

(Expressed in Canadian Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (Cont'd)

IFRS 16 Leases:

As of January 1, 2019, the Company will be required to adopt IFRS 16 Leases, which will replace IAS 17 Leases. For lessees applying the new standard, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases.

The adoption of these future standards is not expected to have a material effect on the Company's future results and financial position.

4. OIL AND GAS PROPERTIES

At March 31, 2017, the Company recorded a reversal of impairment of the oil and gas properties in the amount of $1,515,071. The reversal of impairment resulted from a stabilization in market prices for crude oil and gas during the year. The recoverable amount of the CGU was determined using a value in use approach based on the 2017 year-end reserves report prepared by an independent engineer using a pre-tax discount rate of 15% for proved and probable reserves.

Cost	$
As at March 31, 2018	8,281,590
As at December 31, 2018	**8,281,590**
Depletion, depreciation and impairment	$
As at March 31, 2018	(1,645,057)
Depletion and depreciation	**(391,088)**
As at December 31, 2018	(2,036,145)
Net book value	$
As at March 31, 2017	7,134,341
As at March 31, 2018	6,636,533
As at December 31, 2018	6,245,445

5. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the period ended December 31, 2018 and 2017 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.

	December 31, 2018 $	March 31, 2018 $
Related party payable for services	**161,550**	**241,594**

(Expressed in Canadian Dollars)

6. LOANS PAYABLE AND CONVERTIBLE LOANS PAYABLE

At December 31, 2018, the Company has short-term convertible loans payable to unrelated parties in the amount of $768,460 (March 31, 2018 – $950,384). These loans are due on demand, bear interest up to 10% per annum and are unsecured. During the year ended March 31, 2018, the Company made repayments of $264,616 and issued 1,772,000 common shares to settle $132,900 of the convertible loans payable. 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 are equal to the face value and therefore has not ascribed any value to the equity components of these convertible loans.

During the year-ended March 31, 2018, the Company de-recognized $265,643 of loan payables as the statutory of limitation period on such debt has passed and recorded as a gain on de-recognition of debt of the same amount.

7. 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:

	December 31, 2018	March 31, 2018
	$	$
Balance, beginning of the year	1,579,962	1,472,536
Accretion	24,600	32,000
Change in estimates	-	75,426
Balance, end of year	1,604,562	1,579,962
Less: current portion	(60,448)	(60,448)
Long-term portion	**1,544,114**	**1,519,514**

The present value of the decommissioning obligation of $1,596,362 (March 31, 2018 - $1,579,962) was calculated using an average risk-free rate of 2.25% (2018 – 2.46%) and inflation rate of 1.78% (2018 – 1.78%). The weighted average life of wells has been estimated at approximately 22 years (2018 – 23 years). At December 31, 2018, the undiscounted value of the obligation is $1,966,400 (March 31, 2018 – $1,935,236). Reclamation activities are expected to occur between 2018 and 2041.

8. SHARE CAPITAL

Shares authorized, issued and outstanding at December 31, 2018 are as follows:

a) Authorized

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

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (Cont'd)

a) Issued

	Number of common shares	Amount $
Balance at March 31, 2017 and 2016	21,753,991	12,899,689
Shares issued for debt settlement (i)	2,939,000	202,920
Shares issued for private placement (ii)	6,666,667	500,000
Share subscriptions receivable	-	(421,250)
Share issuance costs	-	(11,092)
Balance at March 31, 2018	31,359,658	13,170,267
Share subscriptions received		421,250
Balance at December 31, 2018		13,591,517

(i) On September 7, 2017, the Company completed shares for debt settlements with various arms-length parties, issuing 1,772,000 common shares to settle $132,900 of convertible loans payable and issuing 1,167,000 common shares with a fair value of $70,020 to settle $87,525 of accounts payable and recorded a gain on debt settlement of $17,505.

(ii) 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 will entitle 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 will entitle 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. As at March 31, 2018, $421,250 of the proceeds remained outstanding and were recorded as share subscriptions receivable of which $413,750 was received subsequent to year-end.

b) Equity Reserves

Equity reserve items are recognized as a 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.

c) Share Purchase Warrants

A summary of share purchase warrants issued and exercised during the period ended December 31, 2018 and March 31, 2018 is as follows:

	December 31, 2018		March 31, 2018	
	Number of warrants	Weighted Average Exercise Price per warrant $	Number of warrants	Weighted Average Exercise Price per warrant $
Balance, beginning of year	-	-	-	-
Issued	6,740,167	0.10	6,740,167	0.10
Expired	-	-	-	-
Balance, outstanding and exercisable, end of period	**6,740,167**	**0.10**	**6,740,167**	**0.10**

(Expressed in Canadian Dollars)

8. 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, 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 December 31, 2018 and 2017 is as follows:

	December 31, 2018		March 31, 2018	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance, beginning of year	1,300,000	0.06	1,300,000	0.06
Expired	(1,300,000)	(0.06)	-	-
Balance, end of period	**-**	**-**	**1,300,000**	**0.06**

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 March 31, 2018 and 2017, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

9. 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 former related parties, convertible loans payable, and loans payable, are recorded at amortized cost. Cash and cash equivalents are recorded at fair value. All of the fair value items are transacted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (Cont'd)

	Financial instrument classification	December 31, 2018 Carrying Value $	December 31, 2018 Estimated Fair value $	March 31, 2018 Carrying Value $	March 31, 2018 Estimated Fair value $
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	675,805	675,805	400,408	400,408
Trade and other receivables	Loans and receivables	94,468	94,468	148,764	148,764
Financial liabilities					
Trade and other payables	Other financial liabilities	791,234	791,234	756,073	756,073
Payable to related parties	Other financial liabilities	161,550	161,550	241,594	241,594
Convertible loans payable	Other financial liabilities	768,460	768,460	950,384	950,384

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. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

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 December 31, 2018 are as follows:

	Balance at December 31, 2018	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	675,805	675,805	-	-	675,805

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.

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (Cont'd)

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure. The Company has an allowance for doubtful accounts of $10,160 as at December 31, 2018 (2017 – $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 $791,234 in accounts payable and payable to related parties which are due at December 31, 2018, a working capital deficiency of $1,009,234 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.

Contractual undiscounted cash flow requirements for contractual obligations as at December 31, 2018 are due as follows:

	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	791,234	-	-	-	791,234
Payable to related parties	161,550	-	-	-	161,550
Convertible loans payable	768,460	-	-	-	768,460
	1,721,244	**-**	**-**	**-**	**1,721,244**

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 December 31, 2018, 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.

9. FINANCIAL INSTRUMENTS (Cont'd)

(ii) Oil and gas revenues would not be significantly impacted by changes in oil and natural gas prices. As at December 31, 2018 for a 1% increase/decrease in the price of oil and gas, revenue would increase/decrease by approximately $2,800 per quarter based upon December 2018 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.

10. 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 gasproperties 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 lacked sufficient capital to carry out development or fund its corporate overhead expenses through the year ended March 31, 2018. 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.