

WESCAN ENERGY CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2017 AND 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
WesCan Energy Corp.

We have audited the accompanying consolidated financial statements of WesCan Energy Corp. which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of WesCan Energy Corp. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of WesCan Energy Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
July 28, 2017

WesCan Energy Corp.
Consolidated Statements of Financial Position
As at March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	March 31, 2017	March 31, 2016
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	241,977	255,402
Trade and other receivables (Note 5)	190,428	109,285
Prepaid expenses and deposits	14,762	10,370
Total current assets	447,167	375,057
Non-current assets		
Oil and gas properties (Note 6)	7,134,341	6,313,015
Office equipment	-	991
Total non-current assets	7,134,341	6,314,006
TOTAL ASSETS	7,581,508	6,689,063
LIABILITIES		
Current liabilities		
Trade and other payables	716,471	787,245
Payable to related parties (Note 7)	41,799	19,203
Payable to former related parties (Note 7)	-	288,257
Convertible loans payable (Note 8)	1,325,225	1,294,398
Loans payable (Note 8)	-	256,848
Current portion of decommissioning provision (Note 9)	60,448	60,448
Total current liabilities	2,143,943	2,706,399
Non-current liabilities		
Decommissioning provision (Note 9)	1,412,088	1,558,883
Total liabilities	3,556,031	4,265,282
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	12,899,689	12,899,689
Equity reserves (Note 10)	1,538,240	1,538,240
Deficit	(10,412,452)	(12,014,148)
Total shareholders' equity	4,025,477	2,423,781
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,581,508	6,689,063

Going concern (Note 1)

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.
Consolidated Statements of Comprehensive Income
For the years ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	March 31, 2017	March 31, 2016
	\$	\$
REVENUE		
Petroleum and natural gas sales	1,645,232	1,222,334
Less: royalties	(183,261)	(185,921)
Revenues, net of royalties	1,461,971	1,036,413
EXPENSES		
Operating costs	927,014	964,093
Depletion, depreciation and accretion	577,507	391,007
General and administrative	389,840	368,405
	1,894,361	1,723,505
Net loss from operating activities	(432,390)	(687,092)
Other income (expense)		
Finance and interest expense	(41,606)	(107,229)
Foreign exchange gain	4,737	189
Gain on bargain purchase (Note 4)	-	4,060,828
Reversal of impairment (impairment) of oil and gas properties (Note 6)	1,515,071	(1,613,765)
Gain on de-recognition of debt (Note 7,8)	555,884	-
	2,034,086	2,340,023
Net income before income tax	1,601,696	1,652,931
Recovery of deferred income tax (Note 11)	-	1,501,950
Net income and comprehensive income	1,601,696	3,154,881
Basic and diluted earnings per share	\$ 0.07	\$ 0.15
Weighted average number of common shares outstanding	21,753,991	21,753,991

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

WesCan Energy Corp.
Consolidated Statements of Changes in Equity
For the years ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

March 31, 2017

	Share Capital		Equity Reserves	Deficit	Total
	Number of Shares	Amount \$			
Balance at March 31, 2016	21,753,991	12,899,689	1,538,240	(12,014,148)	2,423,781
Net income for the year	-	-	-	1,601,696	1,601,696
Balance at March 31, 2017	21,753,991	12,899,689	1,538,240	(10,412,452)	4,025,477

March 31, 2016

	Share Capital		Equity Reserves	Deficit	Total
	Number of Shares	Amount \$			
Balance at March 31, 2015	21,753,991	12,899,689	1,538,240	(15,169,029)	(731,100)
Net income for the year	-	-	-	3,154,881	3,154,881
Balance at March 31, 2016	21,753,991	12,899,689	1,538,240	(12,014,148)	2,423,781

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

WesCan Energy Corp.
Consolidated Statements of Cash Flows
For the years ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	March 31, 2017	March 31, 2016
	\$	\$
Operating activities		
Net income	1,601,696	3,154,881
Non-cash items:		
Depletion	545,256	322,208
Depreciation	991	1,988
Accretion	31,260	68,799
Gain on bargain purchase	-	(4,060,828)
Deferred income tax recovery	-	(1,501,950)
Interest expense	41,606	105,413
Gain on de-recognition of loans	(555,884)	-
Impairment of oil and gas properties	(1,515,071)	1,613,765
	149,854	(295,724)
Change in non-cash working capital items:		
Increase in trade and other receivables	(81,143)	(93,473)
Increase in prepaid expenses and deposit	(4,392)	(8,870)
Increase (decrease) in trade and other payables	(70,774)	592,984
Net cash provided by (used in) operating activities	(6,455)	194,917
Investing activities		
Cash paid for acquisition of business	-	(1,240,000)
Proceeds from sale of royalty rights	-	150,000
Expenditures on oil and gas properties	(29,566)	(168,072)
Net cash used in investing activities	(29,566)	(1,258,072)
Financing activities		
Loans, net of repayments	-	1,197,500
Advances from (payments to) related parties	22,596	(10,362)
Net cash provided by financing activities	22,596	1,187,138
Change in cash and cash equivalents	(13,425)	123,983
Cash and cash equivalents, beginning of year	255,402	131,419
Cash and cash equivalents, end of year	241,977	255,402
Supplemental cash flow information		
Re-estimation of decommissioning liability	(178,055)	1,248,832
Cash paid for interest	-	-
Cash paid for income taxes	-	-
Cash and cash equivalents consists of:		
Cash	241,977	255,402

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

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

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

At March 31, 2017 the Company has a working capital deficiency of \$1,696,776 and an accumulated deficit of \$10,412,452 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 July 28, 2017.

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.

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.

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 exploration 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 liabilities

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require estimates regarding remediation date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal costs, and liability specific discount rates to determine the present value of these cash flows.

2. BASIS OF PRESENTATION (Cont'd)

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

Business combinations

The measurement of acquired assets and assumed liabilities are based on information available to the Company on the acquisition date. The estimate of fair value of acquired assets and assumed liabilities requires significant judgment which is largely based on projected cash flows, discount rates and other market conditions that are present on the date of acquisition. The acquired assets and assumed liabilities are recognized at fair value on the date the Company obtains control in a business combination.

Share-based compensation

Compensation costs accrued for share-based compensation plans are subject to the estimation using pricing models such as the Black-Scholes Option Pricing Model which is based on significant assumptions such as the future volatility of the market price of the Company's shares and the expected term of the issued stock options.

Recoverability of assets

The carrying amounts of the Company's petroleum properties are reviewed at each reporting date for indicators of impairment. 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 experts 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 comprehensive income (loss) and the resulting carrying values of assets.

Provision for doubtful accounts

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

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Cont'd)

Basis of consolidation

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

The consolidated financial statements as at March 31, 2017 and 2016 include the assets, liabilities, revenues and expenses of WesCan and its wholly-owned subsidiaries: GPI Oil & Gas Inc., GPI Oil and Gas Overseas Inc. and GPI Petroleum Inc.

Details of controlled entities are as follows:

		Percentage owned *	
	Country of Incorporation	March 31, 2017	March 31, 2016
GPI Oil & Gas Inc.	Canada	100%	100%
GPI Oil and Gas Overseas Inc.	Canada	100%	100%
GPI Petroleum Inc.	USA	100%	100%

*Percentage of voting power is in proportion to ownership.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Joint arrangements

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

Foreign currency translation

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Exploration and evaluation assets

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

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

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

Impairment of exploration and evaluation assets and oil and gas properties

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

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

The recoverable amount of an asset or its CGU is the greater of its fair value less the cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Oil and gas properties

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

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

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

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

Decommissioning provision

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue from the sale of oil and natural gas is recognized when the significant risks and rewards of ownership have been transferred, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control, the amount of revenue and costs to be incurred in respect of the transaction can be measured reliably and it is probable that economic benefits will flow to the Company, which is normally when legal title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue is measured net of royalties, discounts and customs duties.

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

Share-based payment transactions

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

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

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

Earnings (loss) per share

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

Segment reporting

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

WesCan Energy Corp.
Notes to the Consolidated Financial Statements
For the years ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

All financial instruments are initially recorded at fair value and classified into one of four categories: Financial assets at fair value through profit or loss (“FVTPL”) – Cash and cash equivalents; Loans and receivables - Trade and other receivables; Other financial liabilities - Trade and other payables, loans payable, balances payable to current related parties, and convertible loans payable; Available-for-sale - None. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the consolidated statement of financial position date, which are classified as non-current assets. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

Derecognition of financial assets

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

Impairment of financial assets

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

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax

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

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

Business combinations

The Company uses the acquisition method to account for business acquisitions. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Deferred taxes are recognized for any differences between the fair value and the tax basis of net assets acquired. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in profit and loss. Associated transaction costs are expensed when incurred.

New accounting standards issued but not yet effective

The following new standards, amendments and interpretations have not been early adopted in these consolidated financial statements. As of March 31, 2017, the Company is still determining the impact that the adoption of these standards will have on its consolidated financial statements or whether to early adopt any of the new standards:

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.

(b) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New accounting standards issued but not yet effective (cont'd)

New accounting standards to be adopted April 1, 2019

(c) IFRS 16 Leases:

As of April 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.

4. BUSINESS COMBINATION

On April 20, 2015, the Company entered into an agreement (the "Agreement") with Alston Energy Inc. ("Alston") through Alston's court appointed receiver, Alvarez & Marsal Canada Inc. ("Alvarez"), to acquire a 100% working interest in certain petroleum and natural gas rights located in east-central Alberta. The total cash consideration for the acquisition was \$1,240,000 which was fully paid by the Company to Alvarez between April and May 2015. The Agreement was approved by the courts and the TSX-V Exchange on May 15, 2015 and May 25, 2015 respectively and the acquisition was completed on May 25, 2015. The acquisition was financed through a combination of existing cash and a series of short-term promissory notes issued during the year (see Note 8).

The Company's main reason for completing this acquisition is to acquire additional oil production capacity.

The following summarizes the allocation of the consideration paid:

Oil and gas properties	\$	6,981,000
Decommissioning provision		(178,222)
Deferred income tax liability		(1,501,950)
Gain on bargain purchase		(4,060,828)
Cash consideration paid	\$	1,240,000

The gain on business combination arose due to depressed commodity prices and financial difficulties of Alston, which allowed the Company to acquire the assets for less than fair value.

Fair value of the decommissioning liability acquired in the business combination was calculated using the discount rate of 15% and inflation rate of 1.88%. The average life of the petroleum reserves acquired was 17.9 years. The undiscounted value of the obligation at the acquisition date was calculated at \$1,550,805.

From the acquisition date to March 31, 2016, revenue of \$1,195,453 and direct operating costs of \$939,469 were recognized in the consolidated statements of comprehensive income (loss). Disclosure of the revenue and profit or loss of the combined entity for the year ended March 31, 2016 as though the acquisition date for business combination had been as of the beginning of the annual reporting period is impracticable due to the nature of the transaction. The Company acquired interest in petroleum reserves and related infrastructure that constituted a business and had no access to accounting records of Alston in order to calculate revenue and profit or loss prior to closing date of the transaction.

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5. TRADE AND OTHER RECEIVABLES

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

	March 31, 2017	March 31, 2016
	\$	\$
Net revenue receivable from oil and gas property operators	189,876	99,419
Goods and services tax recoverable	-	8,494
Other receivables	552	1,372
Total	190,428	109,285

6. 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 has been accounted for as a business combination (Note 4).

Subsequent to the completion of the transaction, the Company sold its overriding royalty rights (GOR) to Newcrest Resources Ltd. (“Newcrest”) for total cash consideration of \$150,000. Overriding royalty rights entitle Newcrest to a four percent (4%) royalty of the gross monthly production of petroleum substances from the Company’s Provost property.

At March 31, 2016, the Company recorded an impairment charge against the oil and gas properties in the amount of \$1,613,765 to write-down the property costs to the estimated recoverable amount of \$6,313,015 at March 31, 2016. The impairment resulted from a material decline 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 2016 year-end reserves report prepared by an independent engineer using a pre-tax discount rate of 15% for proved and probable reserves.

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 the 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.

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6. OIL AND GAS PROPERTIES (Cont'd)

	Total
Cost	\$
As at March 31, 2015	106,749
Acquisitions (Note 4)	6,981,000
Additions	168,072
Change in decommissioning liabilities (Note 9)	1,248,832
Sale of royalty rights	(150,000)
As at March 31, 2016	8,354,653
Additions	29,566
Change in decommissioning liabilities (Note 9)	(178,055)
As at March 31, 2017	8,206,164

	Total
Depletion, depreciation and impairment	\$
As at March 31, 2015	(105,665)
Depletion and depreciation	(322,208)
Impairment	(1,613,765)
As at March 31, 2016	(2,041,638)
Depletion and depreciation	(545,256)
Reversal of impairment	1,515,071
As at March 31, 2017	(1,071,823)

	Total
Net book value	\$
As at March 31, 2016	6,313,015
As at March 31, 2017	7,134,341

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the years ended March 31, 2017 and 2016 not disclosed elsewhere in these consolidated financial statements are as follows:

Key management compensation

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

	March 31, 2017	March 31, 2016
	\$	\$
Short-term employee benefits:		
Management salaries	165,000	165,000
Total	165,000	165,000

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7. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

Payable to related parties

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

	March 31, 2017	March 31, 2016
	\$	\$
Related party payable for services	41,799	19,203

Payable to former related parties

Balances due to former related parties consists of amounts owing to former 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 or bear insignificant amounts of interest, unsecured and due on demand, unless otherwise noted. During the year ended March 31, 2017, the Company de-recognized \$290,241 of payables to former related parties as the statutory limitation period on such claims has passed.

	March 31, 2017	March 31, 2016
	\$	\$
Related party payable for services	-	232,266
Related party payable for travel	-	18,939
Loans from related parties	-	37,052
Total	-	288,257

8. LOANS PAYABLE AND CONVERTIBLE LOANS PAYABLE

At March 31, 2017, the Company has short-term loans owing to unrelated parties in the amount of \$nil (2016 – \$256,848). These amounts were due on demand, bore interest at up to 10% per annum and were unsecured. During the year ended March 31, 2017, the Company de-recognized \$265,643 of loan payables as the statutory limitation period on such debt has passed.

At March 31, 2017, the Company has short-term convertible loans payable to unrelated parties in the amount of \$1,325,225 (2016 – \$1,294,398). These loans are due on demand, bear interest up to 10% per annum and are unsecured. The conversion of loans depends on terms of a future private placement, which has not yet been determined. As a result, the Company is unable to estimate the allocation of the value between the debt and equity components. No value is ascribed to the equity component of these convertible loans.

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9. DECOMMISSIONING PROVISION

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

	March 31, 2017	March 31, 2016
	\$	\$
Balance, beginning of the year	1,619,331	123,478
Decommissioning liabilities assumed in business combination (Note 4)	-	178,222
Accretion	31,260	68,799
Change in estimates	(178,055)	1,248,832
Balance, end of year	1,472,536	1,619,331
Less: current portion	(60,448)	(60,448)
Long-term portion	1,412,088	1,558,883

During the year ended March 31, 2016, the Company acquired a property in the Provost region of Alberta and assumed a decommissioning liability in amount of \$178,222 upon acquisition. At the time of acquisition, the fair value of the decommissioning liability was valued using a discount rate of 15% and inflation rate of 1.88% (see Note 4). The change of estimate in decommissioning liability of \$1,248,816 was a result of remeasurement of the liability subsequent to the acquisition.

The present value of the decommissioning obligation of \$1,472,536 (2016 - \$1,619,331) was calculated using an average risk-free rate of 2.46% (2016 - 2.09%) and inflation rate of 1.78% (2016 - 1.88%). The weighted average life of wells has been estimated at approximately 25 years (2016 - 17 years). At March 31, 2017, the undiscounted value of the obligation is \$1,935,236 (2016 - \$1,886,929). Reclamation activities are expected to occur between 2017 and 2042.

10. SHARE CAPITAL

Shares authorized, issued and outstanding at March 31, 2017 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, 2017, 2016 and 2015	21,753,991	12,899,689

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.

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10. SHARE CAPITAL (Cont'd)

d) Share Purchase Warrants

A summary of share purchase warrants issued and exercised during the years ended March 31, 2017 and 2016 is as follows:

	March 31, 2017		March 31, 2016	
	Number of warrants	Weighted Average Exercise Price per warrant \$	Number of warrants	Weighted Average Exercise Price per warrant \$
Balance, beginning of year	4,166,667	0.10	8,317,968	0.10
Expired	(4,166,667)	0.10	(4,151,301)	0.10
Balance, outstanding and exercisable, end of year	-	-	4,166,667	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 years ended March 31, 2017 and 2016 is as follows:

	March 31, 2017		March 31, 2016	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of year	1,300,000	0.06	1,307,500	0.07
Expired	-	-	(7,500)	2.33
Balance, end of year	1,300,000	0.06	1,300,000	0.06

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10. SHARE CAPITAL (Cont'd)

e) Stock options (Cont'd)

A summary of stock options outstanding and exercisable at March 31, 2017 is as follows:

Exercise Price	Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted Average Remaining Life
\$ 0.06	October 24, 2013	October 24, 2018	1,300,000	1,300,000	1.57

f) Per share data

The diluted earnings per share calculation include the impact of all warrants and stock options outstanding during the year. At March 31, 2017 and 2016, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

11. INCOME TAXES

A reconciliation of income taxes (recovery) at Canadian statutory rates with the requested taxes (recovery) is as follows:

	Year ended March 31, 2017 \$	Year ended March 31, 2016 \$
Income (loss) for the year	1,601,696	1,652,931
	27.0%	26.5%
Expected income tax expense (recovery) at statutory rates	432,458	438,027
Other differences	(73,592)	(1,238,198)
Permanent differences	8,964	18,710
Change in deferred income tax assets not recognized	(367,830)	(720,489)
Total income tax recovery	-	(1,501,950)

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

	March 31, 2017 \$	March 31, 2016 \$
Deferred income tax assets attributable to:		
Equipment and vehicles	84,422	17,197
Share issue costs	733	1,641
Decommissioning liabilities	397,585	437,219
Oil and gas properties	(606,168)	(378,397)
Non-capital losses available for future periods	1,393,653	1,560,395
	1,270,225	1,638,055
Deferred income tax assets not recognized	(1,270,225)	(1,638,055)
Net deferred income tax assets	-	-

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11. INCOME TAXES (Cont'd)

As at March 31, 2017, the Company has non-capital losses carried forward of \$5,073,653 (2016 – \$5,708,160) which are available to offset future years' taxable income. These losses expire as follows:

	\$
2027	358,376
2028	324,501
2029	845,837
2030	517,654
2031	535,903
2032	454,544
2033	542,278
2034	561,148
2035	502,514
2036	430,898
	<u>5,073,653</u>

The potential income tax benefits relating to deferred income tax assets have not been recognized in the consolidated financial statements as their realization does not meet the requirement of probable under the liability method of tax allocation.

12. ECONOMIC DEPENDENCE

During the year ended March 31, 2017 the Company earned \$1,438,192 (2016 – \$1,056,453) of its petroleum and natural gas sales from one customer. As these sales represent 87% (2016 – 86%) of the Company's total petroleum and natural gas sales, the Company considers itself to be economically dependent on this customer.

13. FINANCIAL INSTRUMENTS

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

Financial instruments, consisting of trade and other receivables, trade and other payables, 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.

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13. FINANCIAL INSTRUMENTS (Cont'd)

	Financial instrument classification	March 31, 2017		March 31, 2016	
		Carrying Value	Estimated Fair value	Carrying Value	Estimated Fair value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	241,977	241,977	255,402	255,402
Trade and other receivables	Loans and receivables	190,428	190,428	109,285	109,285
Financial liabilities					
Trade and other payables	Other financial liabilities	716,471	716,471	787,245	787,245
Payable to related parties	Other financial liabilities	41,799	41,799	19,203	19,203
Payable to former related parties	Other financial liabilities	-	-	288,256	288,256
Convertible loans payable	Other financial liabilities	1,325,225	1,325,225	1,294,398	1,294,398
Loans payable	Other financial liabilities	-	-	256,848	256,848

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 March 31, 2017 are as follows:

	Balance at March 31, 2017	Quoted Prices in Active Markets			Total
		For Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		\$	\$	\$	\$
Assets:					
Cash and cash equivalents	241,977	241,977	-	-	241,977

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13. 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 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 doubtful accounts of \$10,160 as at March 31, 2017 (2016 – \$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 \$758,000 in accounts payable and payable to related parties which are overdue at March 31, 2017, a working capital deficiency of \$1,696,776 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 March 31, 2017 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	716,471	-	-	-	716,471
Payable to related parties	41,799	-	-	-	41,799
Convertible loans payable	1,325,225	-	-	-	1,325,225
	2,083,495	-	-	-	2,083,495

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.

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13. FINANCIAL INSTRUMENTS (Cont'd)

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 March 31, 2017, 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) Oil and gas revenues would not be significantly impacted by changes in oil and natural gas prices. As at March 31, 2017 for a 1% increase/decrease in the price of oil and gas, revenue would increase/decrease by approximately \$3,500 per quarter based upon March 2017 prices and volumes.

Commodity price risk affects the Company beyond its impact on realized revenue. In particular, the Company's future ability to raise capital for development stage activities is affected by, among many other factors, the price of oil and gas. Furthermore, changes in commodity prices will also affect the price of oil and gas leases, as well as exploration and drilling services and operating costs. Changes in oil and gas prices will also determine the Company's ultimate recoverable reserves.

Foreign exchange risk

The Company currently generates approximately 0.3% of its gross revenue from a natural gas well in the USA with a carrying value of \$1,084. 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.

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14. CAPITAL MANAGEMENT

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

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

The Company defines capital as 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 March 31, 2017. Management must seek one or more equity financings to finance activities in the future periods. Additional capital raised will be invested primarily in oil and gas exploration and development activities.

Financing, and thus capital spending on exploration, will generally be limited to the extent that capital is available on acceptable terms. The acceptability of financing terms is generally determined by reference to the prevailing market price of the Company’s shares. The terms on which the Company obtains financings are furthermore subject to the guidelines of the TSX-V.

The Company is not subject to material externally imposed capital constraints.

15. EMPLOYEE BENEFITS

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

	Year ended March 31, 2017	Year ended March 31, 2016
	\$	\$
Salaries	165,000	165,000
Other employee benefits	3,737	3,783
Total	168,737	168,783