WESCAN ENERGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MARCH 31, 2016 AND 2015

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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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, 2016 and 2015, and the consolidated statements of comprehensive income (loss), changes in equity (deficiency) 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, 2016 and 2015, 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 29, 2016

WesCan Energy Corp.
Consolidated Statements of Financial Position
As at March 31, 2016 and 2015
(Expressed in Canadian Dollars)

	March 31, 2016 $	March 31, 2015 $
ASSETS		
Current assets		
Cash and cash equivalents	255,402	131,419
Trade and other receivables (Note 5)	109,285	15,812
Prepaid expenses and deposits	10,370	1,500
Total current assets	375,057	148,731
Non-current assets		
Oil and gas properties (Note 6)	6,313,015	1,084
Office equipment (Note 8)	991	2,979
Total non-current assets	6,314,006	4,063
TOTAL ASSETS	6,689,063	152,794
LIABILITIES AND EQUITY (DEFICIENCY)		
Current liabilities		
Trade and other payables	787,245	194,261
Payable to related parties (Note 9)	19,203	31,526
Payable to former related parties (Note 9)	288,257	286,296
Convertible loans payable (Note 10)	1,294,398	-
Loans payable (Note 10)	256,848	248,333
Current portion of decommissioning provision (Note 11)	60,448	60,448
Total current liabilities	2,706,399	820,864
Non-current liabilities		
Decommissioning provision (Note 11)	1,558,883	63,030
Total liabilities	4,265,282	883,894
Equity (Deficiency)		
Share capital (Note 12)	12,899,689	12,899,689
Equity reserves (Note 12)	1,538,240	1,538,240
Deficit	(12,014,148)	(15,169,029)
Total equity (deficiency)	2,423,781	(731,100)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	6,689,063	152,794

Going concern (Note 1)

Approved and authorized for issue on behalf of the Board on July 29, 2016:

"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 (Loss)
For the years ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)

		$		$
Petroleum and natural gas sales		1,222,334		45,221
Less: royalties		(185,921)		(1,876)
Revenues, net of royalties		1,036,413		43,345
Operating costs		964,093		31,609
Depletion and accretion		391,007		2,978
		1,355,100		34,587
Income (loss) from oil and gas operations		(318,687)		8,758
Expenses				
General and administrative		368,405		411,316
Net loss from operating activities		**(687,092)**		**(402,558)**
Other income (expenses)				
Finance and interest expense		(107,229)		(7,928)
Foreign exchange gain		189		1,544
Gain on bargain purchase (Note 4)		4,060,828		-
Gain on re-estimation of decommissioning liabilities (Note 11)		-		43,855
Impairment of exploration and evaluation assets (Note 7)		-		(13,557)
Impairment of oil and gas properties (Note 6)		(1,613,765)		-
Write-off of acquisition deposit (Note 6)		-		(50,000)
		2,340,023		(26,086)
Net income (loss) before income tax		**1,652,931**		**(428,644)**
Recovery of deferred income tax		1,501,950		-
Net income (loss) and comprehensive income (loss)		**3,154,881**		**(428,644)**
Basic and diluted earnings (loss) per share	$	0.15	$	(0.02)
Weighted average number of common shares outstanding - basic and diluted		21,753,991		21,228,877

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

WesCan Energy Corp.
Consolidated Statements of Changes in Equity (Deficiency)
For the years ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)

	Number of Shares	Amount $	Equity Reserves $	Deficit $	Total $
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

March 31, 2015

	Share Capital				
	Number of Shares	Amount $	Equity Reserves $	Deficit $	Total $
Balance at March 31, 2014	13,420,658	12,402,939	1,538,240	(14,740,385)	(799,206)
Shares issued for private placement	8,333,333	500,000	-	-	500,000
Share issue costs	-	(3,250)	-	-	(3,250)
Net loss for the year	-	-	-	(428,644)	(428,644)
Balance at March 31, 2015	21,753,991	12,899,689	1,538,240	(15,169,029)	(731,100)

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, 2016 and 2015
(Expressed in Canadian Dollars)

	March 31, 2016	March 31, 2015
	$	$
Operating activities		
Net income (loss)	3,154,881	(428,644)
Non-cash items:		
Depletion	322,208	1,258
Depreciation	1,988	1,988
Accretion	68,799	1,720
Gain on bargain purchase	(4,060,828)	-
Deferred income tax recovery	(1,501,950)	-
Interest expense	105,413	10,091
Gain on derecognition of decommissioning liabilities	-	-
Gain on re-estimation of decommissioning liabilities	-	(43,855)
Write-off of deposit	-	50,000
Impairment of exploration and evaluation assets	-	13,557
Impairment of oil and gas properties	1,613,765	-
	(295,724)	(393,885)
Change in non-cash working capital items:		
Decrease in trade and other receivables	(93,473)	(9,659)
(Increase) decrease in prepaid expenses and deposit	(8,870)	3,700
Increase (decrease) in trade and other payables	592,984	(40,679)
Net cash provided by (used in) operating activities	194,917	(440,523)
Investing activities		
Deposit for acquisition of oil and gas properties	-	(50,000)
Cash paid for acquisiton of business	(1,240,000)	-
Proceeds from sale of royalty rights	150,000	-
Expenditures on oil and gas properties	(168,072)	-
Net cash used in investing activities	(1,258,072)	(50,000)
Financing activities		
Proceeds from issuance of common shares	-	500,000
Share issue costs	-	(3,250)
Loans, net of repayments	1,197,500	-
Payments to related parties	(10,362)	(14,167)
Net cash provided by financing activities	1,187,138	482,583
Change in cash and cash equivalents	123,983	(7,940)
Cash and cash equivalents, beginning of year	131,419	139,359
Cash and cash equivalents, end of year	**255,402**	**131,419**

Supplemental cash flow information		
Re-estimation of decomissioning liability	1,248,832	(47,716)
Cash paid for interest	-	-
Cash paid for income taxes	-	-

Cash and cash equivalents consists of:		
Cash	255,402	12,419
Guaranteed investments certificates	-	119,000
	255,402	131,419

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 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 it will continue in operation for the foreseeable future and 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, 2016 the Company has a working capital deficiency of $2,331,342 and an accumulated deficit of $12,014,148 since inception, and is not yet generating positive cash flow from operations. 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 assumption 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 authorized for issue by the Board of Directors on July 29, 2016.

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 development 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 provision
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.

(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, 2016 and 2015 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, 2016**	**March 31, 2015**
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 and cash equivalents consist primarily of cash in banks, term deposits, certificates of deposit and all other highly liquid investments 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. Refer to Note 6 and Note 7 for further information on the Company's proportionate interest in joint arrangements.

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.

Sales from royalties on the Company's oil and gas properties are deducted against the related 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.

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.

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 greaded 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 two countries, Canada and the USA.

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, and balances payable to current and former related parties; Convertible loans payable and 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

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, 2016

IFRS 10, *Consolidated Financial Statements*: The amendments to IFRS 10 require a full gain or loss to be recognized when a transaction involves a business (whether it is housed in a subsidiary or not), while a partial gain or loss would be recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact the final standard may have on its consolidated financial statements.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

New accounting standards to be adopted April 1, 2018

IFRS 15, *Revenue from Contracts with Customers:* In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, 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*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

IFRS 9, *Financial Instruments:* The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments.

New accounting standards to be adopted April 1, 2019

IFRS 16, *Leases*: IFRS 16 was issued on January 13, 2016, and will be effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company is currently evaluating the impact the final standard may have on its financial statements.

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 10).

The Company's main reason for completing this acquistion 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.

(Expressed in Canadian Dollars)

4. BUSINESS COMBINATION (Cont'd)

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.

5. TRADE AND OTHER RECEIVABLES

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

	March 31, 2016 $	March 31, 2015 $
Net revenue receivable from oil and gas property operators	99,419	5,957
Oil and gas property expenditures incurred on behalf of joint interest partners	-	208
Goods and services tax recoverable	8,494	8,196
Other receivables	1,372	1,451
Total	**109,285**	**15,812**

6. OIL AND GAS PROPERTIES

Canada

Equisetum Wells / Peerless Lake

The Company holds a 36% working interest in four wells at Equisetum / Peerless Lake Alberta. The Operator of these wells was placed into receivership in 2012. In 2014 two of these wells were subsequently purchased from this Operator of which one well is currently in production and other well is currently shut-in. During the year ended March 31, 2015, the Company recorded a change in decommissioning liabilities charge of $10,882 related to the shut-in well.

Wildmere

In January of 2011, the Company entered into a Joint Operating Agreement ("JOA") with a private company to drill two wells at Wildmere, Alberta. Subsequent to the drilling of these wells and prior to earning-in under the Farm-in Agreement between the private company and the Farmor, the private company declared insolvency in November 2011. The Company attempted to enter into a new arrangement to sell its interest in the leases upon which the wells were drilled, including the related decommissioning obligations, and the Company received a $15,000 deposit, however, the agreement was not successful.

During the year ended March 31, 2015, the Company paid a $50,000 non-refundable deposit on a proposed acquisition of oil and gas properties. The Company decided to subsequently abandon the proposed acquisition and wrote-off the deposit in the current fiscal year.

Provost

During the year ended March 31, 2016, the Company paid $1,240,000 for 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).

(Expressed in Canadian Dollars)

6. OIL AND GAS PROPERTIES (Cont'd)

Provost (cont'd)

Subsequently to completion of the transaction, the Company sold its overriding royalty rights (GOR) to Newcrest Resources Ltd. ("Newcrest") for total cash consideration of $150,000. These royalty rights formed a part of the fair value of the petroleum reserves purchased through the business combination described in Note 4. 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.

USA

Sedna-Nicko Well

In the fiscal year ended March 31, 2008, the Company acquired, for cash consideration of $32,166, a non-operated minority working interest of 3.67% in a producing natural gas lease in Arkansas, USA.

The following table summarizes costs incurred on the Company's properties in 2016 and 2015:

	Canada	USA	Total
Cost	$	$	$
As at March 31, 2014	101,068	9,542	110,610
Change in decommissioning provision (Note 11)	(3,861)	-	(3,861)
As at March 31, 2015	97,207	9,542	106,749
Acquisitions (Note 4)	6,981,000	-	6,981,000
Development costs	168,072		168,072
Change in decommissioning provision (Note 11)	1,248,832	-	1,248,832
Sale of royalty rights	(150,000)	-	(150,000)
Impairment	(1,613,765)		(1,613,765)
As at March 31, 2016	**6,731,346**	**9,542**	**6,740,888**

	Canada	USA	Total
Depletion and impairment	$	$	$
As at March 31, 2014	(95,949)	(8,458)	(104,407)
Depletion	(1,258)	-	(1,258)
As at March 31, 2015	(97,207)	(8,458)	(105,665)
Depletion	(322,208)	-	(322,208)
As at March 31, 2016	**(419,415)**	**(8,458)**	**(427,873)**

	Canada	USA	Total
Net book value	$	$	$
As at March 31, 2015	-	1,084	1,084
As at March 31, 2016	**6,311,931**	**1,084**	**6,313,015**

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

Canada

Undeveloped Land - Alberta

At March 31, 2016, the Company holds certain petroleum and natural gas ("P&NG") leases from the Crown throughout Alberta. These undeveloped, non-producing leases are exploration lands and have no reserves assigned to them. They include the following:

Sawn Lake/Red Earth

The Company holds a 50% working interest in a P&NG lease near the Sawn Lake/Red Earth area of northern Alberta with Penn West Petroleum Ltd. (Penn West) as the Company's joint venture partner. Penn West acquired their interest and operatorship by conducting a 3D seismic program in 2011 over the Company's Lands.

The Company also holds a 100% interest in other P&NG leases in the Sawn Lake/Red Earth area as well as a number of other PN&G lease interests in other areas of Alberta. During the year ended March 31, 2015, the Company recorded an impairment charge of $13,557 as the Company does not plan to renew its PN&G leases.

The following table summarizes changes in exploration and evaluation assets of the Company during the years ended March 31, 2015 and 2016:

	Canada $	USA $	Total $
As at March 31, 2014	13,557	-	13,557
Impairment charge	(13,557)	-	(13,557)
As at March 31, 2015 and 2016	**-**	**-**	**-**

8. OFFICE EQUIPMENT

	Total $
As at March 31, 2014	5,961
Addition	-
As at March 31, 2015	5,961
Addition	-
As at March 31, 2016	**5,961**
Accumulated depreciation	
As at March 31, 2014	(994)
Accumulated depreciation	(1,988)
As at March 31, 2015	(2,982)
Accumulated depreciation	(1,988)
As at March 31, 2016	**(4,970)**
Net book value	
As at March 31, 2014	4,967
As at March 31, 2015	2,979
As at March 31, 2016	**991**

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the years ended March 31, 2016 and 2015 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 it key management personnel. The compensation costs for key management personnel and companies related to them were recorded as follows:

	March 31, 2016 **$**	March 31, 2015 **$**
Short-term employee benefits:		
Management fees	165,000	165,000
Total	**165,000**	**165,000**

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, 2016 $	March 31, 2015 $
Related party payable for services	**19,203**	**31,526**

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.

	March 31, 2016 $	March 31, 2015 $
Related party payable for services	232,266	232,266
Related party payable for travel	18,939	18,939
Loans from related parties	37,052	35,091
Total	**288,257**	**286,296**

10. LOANS PAYABLE AND CONVERTIBLE LOANS PAYABLE

At March 31, 2016, the Company has short-term loans owing to unrelated parties in the amount of $256,848 (2015 – $248,333). These amounts are due on demand, bear interest rates up to 10% per annum and are unsecured.

At March 31, 2016, the Company has short-term convertible loans payable to unrelated parties in the amount of $1,294,398 (2015 – $Nil). 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 have not yet been determined. As a result, the Company was unable to estimate the value of the embedded conversion option, if any.

(Expressed in Canadian Dollars)

11. DECOMISSIONING PROVISION

The following table presents the reconciliation of the opening and closing aggregate carrying amounts of the decommissioning provision associated with exploration and evaluation assets and oil and gas properties:

	March 31, 2016	March 31, 2015
	$	$
Balance, beginning of the year	123,478	169,474
Decommissioning liabilities assumed in business combination (Note 4)	178,222	-
Accretion	68,799	1,720
Change in estimates	1,248,832	(47,716)
Balance, end of year	1,619,331	123,478
Less: current portion	(60,448)	(60,448)
Long-term portion	**1,558,883**	**63,030**

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. A 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 $1,248,832 was a result of remeasurement of the liability subsequent to the acquisition. During the year ended March 31, 2015 the Company recorded a reduction of the decommissioning liability of $47,716.

The present value of the decommissioning obligation of $1,619,331 (2015 - $123,478) was calculated using an average risk-free rate of 2.09% (2015 – 0.89%) and inflation rate of 1.88% (2015 – 1.60%). The weighted average life of wells has been estimated at approximately 17 years (2015 – 6 years). At March 31, 2016, the undiscounted value of the obligation is $1,886,929 (2015 – $335,824). Reclamation activities are expected to occur between 2017 and 2033.

12. SHARE CAPITAL

Shares authorized, issued and outstanding at March 31, 2016 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

See consolidated statement of changes in equity (deficiency).

(i) On April 23, 2014, the Company completed a non-brokered private placement, issuing 8,333,333 units at $0.06 per unit for gross proceeds of $500,000 and incurring share issue costs of $3,250. Each unit consists of one common share and one-half of a share purchase warrant of the Company. Each full warrant is exercisable into one common share at $0.10 per share on or before April 23, 2016.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (Cont'd)

c) Equity reserves

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

d) Share Purchase Warrants

A summary of share purchase warrants issued and exercised in the years ended March 31, 2016 and 2015 is as follows:

	March 31, 2016		March 31, 2015	
	Number of warrants	Weighted Average Exercise Price per warrant $	Number of warrants	Weighted Average Exercise Price per warrant $
Balance, beginning of year	8,317,968	0.10	4,151,301	0.10
Expired	(4,151,301)	-	4,166,667	0.10
Balance, outstanding and exercisable, end of year	**4,166,667**	**-**	**8,317,968**	**0.10**

A summary of warrants outstanding and exercisable at March 31, 2016 is as follows:

Weighted Average Exercise Price	Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted Average Remaining Life
$ 0.10	April 23, 2014	April 23, 2016	4,166,667	4,166,667	0.06

A total of 4,166,667 warrants expired subsequent to year end unexercised.

e) Stock options

The Company established a stock option plan in the year ended March 31, 2006 (revised in fiscal 2010) 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.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (Cont'd)

e) Stock options (Cont'd)

A summary of share purchase options cancelled, granted and exercised in the years ended March 31, 2016 and 2015 is as follows:

	March 31, 2016		March 31, 2015	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance, beginning of year	1,307,500	0.07	1,307,500	0.07
Expired	(7,500)	2.33	-	-
Balance, end of year	**1,300,000**	**0.07**	**1,307,500**	**0.07**

A summary of stock options outstanding and exercisable at March 31, 2016 is as follows:

Exercise Price	Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted Average Remaining Life
$ 0.07	October 24, 2013	October 24, 2018	1,300,000	1,300,000	2.57

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, 2016, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

13. INCOME TAXES

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

	Year ended March 31, 2016 $	Year ended March 31, 2015 $
Income (loss) for the year	1,652,931	(428,644)
	26.50%	25.00%
Expected income tax expense (recovery) at statutory rates	438,027	(107,161)
Other differences	(1,238,198)	(966)
Permanent differences	18,710	1,168
Expiry of losses	-	279,790
Change in deferred income tax assets not recognized	(720,489)	(172,831)
Total income tax recovery	(1,501,950)	-

(Expressed in Canadian Dollars)

13. INCOME TAXES (Cont'd)

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

	March 31, 2016 $	March 31, 2015 $
Deferred income tax assets attributable to:		
Equipment and vehicles	17,197	15,426
Share issue costs	1,641	2,360
Decommissioning liabilities	437,219	30,870
Oil and gas properties	(378,397)	958,075
Non-capital losses available for future periods	1,560,395	1,351,813
	1,638,055	2,358,544
Deferred income tax assets not recognized	(1,638,055)	(2,358,544)
Net deferred income tax assets	-	-

As at March 31, 2016, the Company has non-capital losses carried forward of $5,708,160 (2015 – $5,265,876) which are available to offset future years' taxable income. These losses expire as follows:

	$
2026	369,274
2027	648,811
2028	324,501
2029	845,837
2030	517,654
2031	538,903
2032	454,544
2033	542,278
2034	561,148
2035	502,514
2036	402,696
	5,708,160

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.

(Expressed in Canadian Dollars)

14. SEGEMENTED INFORMATION AND ECONCOMIC DEPENDENCE

The Company operates in a single reporting segment, being oil and gas production and exploration. The Company's oil and gas property interests relate to two geographic segments, Canada and the USA (see Notes 6 and 7). Set out below is segmented information on a geographic basis.

	Year ended March 31, 2016			Year ended March 31, 2015		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Oil and gas revenue, net of royalties	1,033,488	2,925	1,036,413	38,789	4,556	43,345
Operating costs	(963,028)	(1,065)	(964,093)	(30,768)	(841)	(31,609)
Depletion and accretion	(391,007)	-	(391,007)	(2,978)	-	(2,978)
	(320,547)	**1,860**	**(318,687)**	**5,043**	**3,715**	**8,758**

During the year ended March 31, 2016 the Company earned $1,056,453 of its petroleum and natural gas sales from one customer. As these sales represent 86% of the Company's total petroleum and natural gas sales, the Company considers itself to be economically dependent on this customer. During the year ended March 31, 2015 the Company did not have any economic dependence on any customers.

15. 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.

	Financial instrument classification	March 31, 2016 Carrying Value	March 31, 2016 Estimated Fair value	March 31, 2015 Carrying Value	March 31, 2015 Estimated Fair value
		$	$	$	$
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	255,402	255,402	131,419	131,419
Trade and other receivables	Loans and receivables	109,285	109,285	7,616	7,616
Financial liabilities					
Trade and other payables	Other financial liabilities	787,245	787,245	194,261	194,261
Payable to related parties	Other financial liabilities	19,203	19,203	31,526	31,526
Payable to former related parties	Other financial liabilities	288,256	288,256	286,296	286,296
Convertible loans payable	Other financial liabilities	1,294,398	1,294,398	-	-
Loans payable	Other financial liabilities	256,848	256,848	248,333	248,333

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.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS (Cont'd)

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, 2016 are as follows:

	Balance at March 31, 2016	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	255,402	255,402	-	-	255,402

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, 2016 (2015 – $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 $708,445 in accounts payable which are overdue at March 31, 2016, a working capital deficiency of $2,331,342 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.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS (Cont'd)

Contractual undiscounted cash flow requirements for contractual obligations as at March 31, 2016 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	787,245	-	-	-	787,245
Payable to related parties	19,203	-	-	-	19,203
Payable to former related parties	288,257	-	-	-	288,257
Convertible loan payable	1,294,398	-	-	-	1,294,398
Loans payable	256,848	-	-	-	256,848
	2,645,951	**-**	**-**	**-**	**2,645,951**

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.

Commodity price risk (continued)

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, 2016, 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, 2016 for a 1% increase/decrease in the price of oil and gas, revenue would increase/decrease by approximately $10 per quarter based upon March 2016 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.

15. FINANCIAL INSTRUMENTS (Cont'd)

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.

16. 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.

(Expressed in Canadian Dollars)

17. EMPLOYEE BENEFITS

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

	Year ended March 31, 2016 $	Year ended March 31, 2015 $
Salaries	165,000	165,000
Other employee benefits	3,783	2,794
Total	**168,783**	**167,794**