WESCAN ENERGY CORP.
(formerly Great Pacific International Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

March 31, 2013 AND 2012

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
WesCan Energy Corp. (formerly Great Pacific International Inc.)

We have audited the accompanying consolidated financial statements of WesCan Energy Corp. which comprise the consolidated statements of financial position as at March 31, 2013 and 2012, and the consolidated statements of comprehensive loss, 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 audit 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, 2013 and 2012, and its financial performance and 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 ACCOUNTANTS
Vancouver, British Columbia
July 17, 2013

WesCan Energy Corp.
Consolidated Statements of Financial Position
As at March 31, 2013 and 2012
(Expressed in Canadian Dollars)

	March 31, 2013	March 31, 2012
	$	$
ASSETS		
Current assets		
Cash	208,923	5,395
Trade and other receivables (note 4)	13,528	36,734
Prepaid expenses and deposits	-	11,368
Total current assets	222,451	53,497
Non-current assets		
Oil and gas properties (note 5)	26,306	68,110
Exploration and evaluation assets (note 6)	34,090	570,273
Total non-current assets	60,396	638,383
TOTAL ASSETS	282,847	691,880
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Trade and other payables	313,692	481,088
Payable to related parties (note 7)	44,800	4,000
Payable to former related parties (note 7)	282,475	211,533
Loans payable (note 8)	279,393	389,908
Current portion of decommissioning liabilities (note 9)	171,768	80,016
Total current liabilities	1,092,128	1,166,545
Non-current liabilities		
Decommissioning liabilities (note 9)	96,899	162,283
Total liabilities	1,189,027	1,328,828
Shareholders' deficiency		
Share capital (note 10)	11,953,092	11,427,027
Equity reserves (note 10)	1,463,078	1,528,247
Deficit	(14,322,350)	(13,592,222)
Total deficiency	(906,180)	(636,948)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	282,847	691,880

Going concern (note 1)
Commitments (note 6)

Approved and authorized for issue on behalf of the Board on July 17, 2013:

"Greg Busby"
Greg Busby, Director

"Richard Orman"
Richard Orman, Director

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

WesCan Energy Corp.
Consolidated Statements of Comprehensive Loss
For the years ended March 31, 2013 and 2012
(Expressed in Canadian Dollars)

	March 31, 2013	March 31, 2012
	$	$
Sales of oil and gas		
Petroleum and natural gas	52,935	115,010
Less: royalties	(1,332)	(7,179)
	51,603	107,831
Operating costs	37,799	72,186
Depletion and accretion	11,496	27,547
	49,295	99,733
Income from oil and gas operations	2,308	8,098
Operating expenses		
General and administrative	420,432	478,858
Share-based payments (recovery) (Note 10)	(65,169)	33,443
	355,263	512,301
Net loss from operating activities	**(352,955)**	**(504,203)**
Other income (expenses)		
Interest income	-	151
Interest expense	(21,544)	(16,436)
Foreign exchange gain	(83)	(405)
Bad debt recovery (expense)	(8,325)	2,161
Gain on derecognition of accounts payable	-	343,764
Gain on debt settlement	320,480	-
Gain on derecognition of decommissioning liability (Note 9)	30,300	-
Impairment of oil and gas properties (Note 5)	(14,640)	-
Impairment of exploration and evaluation assets (Note 6)	(683,361)	(1,195,108)
	(377,173)	(865,873)
Net loss and comprehensive loss	**(730,128)**	**(1,370,076)**
Basic and diluted loss per share	$ (0.24)	$ (0.58)
Weighted average number of common shares outstanding	3,038,905	2,373,922

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, 2013 and 2012
(Expressed in Canadian Dollars)

	March 31, 2013	March 31, 2012
	$	$
Operating activities		
Net loss	(730,128)	(1,370,076)
Non-cash items:		
Depletion and depreciation	8,949	23,428
Amortization of equipment	-	644
Accretion	2,547	4,119
Bad debt (recovery) expense	8,325	(2,161)
Gain on derecognition of accounts payable	-	(343,764)
Gain on debt settlement	(320,480)	-
Interest expense	14,264	16,224
Share-based payments	(65,169)	33,443
Gain on derecognition of decommissioning liability	(30,300)	-
Impairment of oil and gas property	14,640	-
Impairment of exploration and evaluation asset	683,361	1,195,108
	(413,991)	(443,035)
Change in non-cash working capital items:		
(Increase) decrease in trade and other receivables	14,881	(5,945)
(Increase) decrease in prepaid expenses and deposit	11,368	(3,720)
Increase in trade and other payables	171,178	243,703
Net cash used in operating activities	(216,564)	(208,997)
Investing activities		
Expenditures on exploration and evaluation assets	(54,609)	(167,000)
Net cash used in investing activities	(54,609)	(167,000)
Finance activities		
Proceeds from issuance of common shares	285,200	-
Share issue costs	(6,500)	-
Loans received, net of repayments	65,123	239,100
Amounts received, net of payments, from related parties	61,912	-
Amounts received, net of payments, from former related parties	68,966	132,241
Net cash provided by financing activities	474,701	371,341
Change in cash	203,528	(4,656)
Cash, beginning of year	5,395	10,051
Cash, end of year	**208,923**	**5,395**
Supplemental cash flow information		
Debt settled through share issuances	206,363	-
Re-estimation of decomissioning liability	(18,242)	(12,224)
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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, 2013 and 2012
(Expressed in Canadian Dollars)

March 31, 2013

	Share Capital				
	Number of shares	Amount $	Equity reserves $	Deficit $	Total $
Balance at March 31, 2012	47,478,432	11,427,027	1,528,247	(13,592,222)	(636,948)
Share consolidation (20:1)	(45,104,579)				
Shares issued for private placement	1,426,000	285,200	-	-	285,200
Shares issued for debt settlement	1,031,813	247,365	-	-	247,365
Share issue costs	-	(6,500)	-	-	(6,500)
Share-based payments	-	-	(65,169)	-	(65,169)
Loss for the year	-	-	-	(730,128)	(730,128)
Balance at March 31, 2013	4,831,666	11,953,092	1,463,078	(14,322,350)	(906,180)

March 31, 2012

	Share Capital				
	Number of shares	Amount $	Equity reserves $	Deficit $	Total $
Balance at March 31, 2011	47,478,432	11,427,027	1,494,804	(12,222,146)	699,685
Share-based payments	-	-	33,443	-	33,443
Loss for the year	-	-	-	(1,370,076)	(1,370,076)
Balance at March 31, 2012	47,478,432	11,427,027	1,528,247	(13,592,222)	(636,948)

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 and development 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, 2013 the Company has a working capital deficiency of $869,677 (March 31, 2012 - $1,113,048) and an accumulated deficit of $14,322,350 since inception, and is not yet generating positive cash flow from operations. These factors raise 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 lease obligations, discharge all liabilities, and meet all commitments, the Company completed a private placement for total proceeds of $285,200 and completed debt settlements in the amount of $567,845 during the year ended March 31, 2013 and expects 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 IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements were authorized for issue by the Board of Directors on July 17, 2013.

b) Basis of measurement:

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

c) Functional and presentation currency:

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

2. BASIS OF PRESENTATION (Cont'd)

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.

<u>Significant judgments</u>

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.

<u>Significant estimates and assumptions</u>

Reserves

Amounts recorded for depreciation, depletion and amortization and amounts used for impairment calculations are based on estimates of oil and natural gas reserves. 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.

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 removal 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.

Exploration and evaluation assets

The accounting policy for exploration and evaluation assets is described in Note 3. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances as to whether economic quantities of reserves will be found.

Share-based compensation

Compensation costs accrued for share-based compensation plans are subject to the estimation of what the ultimate cost will be 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 option.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Cont'd)

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

Recoverability of assets

The Company assesses impairment of its assets that are subject to amortization when it has determined that a potential indicator of impairment exists. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Company used the calculation of fair value less costs to sell to determine the fair value of its CGU's. In determining the fair value less costs to sell, the amount is most sensitive to the selection and use of recent transactions, comparable data in the market and applied weighted average to that data, to determine an implied fair value of the CGU being tested.

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.

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. 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, 2013 and 2012 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, 2013**	**March 31, 2012**
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

Cash is comprised of cash in bank accounts. Cash is considered highly liquid deposits, which is designated as fair value through profit or loss and is recorded at its fair value with changes recognized in profit or loss. Fair values are determined by reference to quoted market prices at the consolidated statement of financial position date.

Jointly controlled assets

Several of the Company's oil and natural gas activities involve jointly controlled assets. These consolidated financial statements include the Company's proportionate share of these jointly controlled assets and a 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.

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. 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 liabilities, 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 determining that the assets are not impaired (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 financial position reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication of impairment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to profit or loss as impairment losses. 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 expenditure's fair value less costs to sell and their value in use.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of exploration and evaluation assets and oil and gas properties (Cont'd)

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. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of assets is the greater of an asset's 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 time, value of money and the risks specific to the asset. 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.

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.

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 obligations, 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 transaction lacks commercial substance or fair value can not be reliably measured. Where the exchange is measured at fair value, any 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 approved future development expenditures required to develop reserves. Proven and probable reserves are estimated using independent engineer reserve reports in accordance with Canadian Securities Regulation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Decommissioning liabilities

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 restoration costs arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets and oil and gas properties along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money and risks specific to the liability are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other oil and gas assets. The Company's estimates of restoration 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 are recorded directly to oil and gas assets with a corresponding entry to the restoration 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, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration 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 restoration 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.

Revenue recognition

Revenue from the sale of oil and natural gas is recognized when the significant risks and rewards of ownership have been transferred and it is probable that the measurable 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. Revenues associated with the sale of petroleum products are recognized when the title passes to the customer. Revenue is measured net of discounts, customs duties and royalties.

Revenue from the production 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

The Company's incentive stock option plan allows for the grant of options to employees, consultants and directors when the number of shares that may be purchased under that option grant and all previously granted options, does not exceed 10% of the issued and outstanding share capital at the date of grant. The exercise price of options granted will be no less than the minimum prescribed price as determined by the TSX-V. The maximum term of options is 10 years. 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. The fair value of options granted is recognized as an expense with a corresponding increase in the equity reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment transactions (Cont'd)

For employees, the fair value of each tranche of options is measured at grant date using graded vesting, with each vesting tranche being valued separately, and the fair value of each tranche recognized over its respective vesting period. 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. Compensation expense on stock options granted to non-employees is recorded as an expense in the 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 reserves. 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.

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; Loans and receivables - Trade and other receivables; Other financial liabilities - Trade and other payables, loans payable, and balances payable to related parties; 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

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 transaction 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 discharged, cancelled or they expire.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2013, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective April 1, 2013

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS's. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

Amendments to other standards – In addition, there have been other amendments to existing standards, including IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Amendments to IAS 1 Presentation of Financial Statements – The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

Each of the new standards, IFRS 10 to 13 and the amendments to other standards, are effective for the Company beginning on April 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New accounting standards effective April 1, 2015

IFRS 9 Financial Instruments was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

The Company has not completed its evaluation of the effect of adopting these standards on its consolidated financial statements.

4. TRADE AND OTHER RECEIVABLES

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

	March 31, 2013 $	March 31, 2012 $
Net revenue receivable from oil and gas property operators	3,008	615
Oil and gas property expenditures incurred on behalf of joint interest partners	208	208
Goods and services tax recoverable	4,311	13,086
Other receivables	6,001	22,825
Total	**13,528**	**36,734**

5. OIL AND GAS PROPERTIES

Cost	Canada $	USA $	Total $
As at March 31, 2011	143,372	9,542	152,914
Change in decommissioning liabilities (Note 10)	(9,290)	-	(9,290)
As at March 31, 2012	134,082	9,542	143,624
Change in decommissioning liabilities (Note 10)	(18,215)	-	(18,215)
As at March 31, 2013	**115,867**	**9,542**	**125,409**

Depletion and impairment	Canada $	USA $	Total $
As at March 31, 2011	(46,372)	(5,714)	(52,086)
Depletion	(20,684)	(2,744)	(23,428)
As at March 31, 2012	(67,056)	(8,458)	(75,514)
Depletion	(8,949)	-	(8,949)
Impairment charge	(14,640)	-	(14,640)
As at March 31, 2013	**(90,645)**	**(8,458)**	**(99,103)**

Net book value	Canada $	USA $	Total $
As at March 31, 2011	97,000	3,828	100,828
As at March 31, 2012	67,026	1,084	68,110
As at March 31, 2013	**25,222**	**1,084**	**26,306**

(Expressed in Canadian Dollars)

5. OIL AND GAS PROPERTIES (Cont'd)

Canada

In the fiscal year ended March 31, 2007 the Company obtained its initial oil and gas assets by way of a block acquisition from an arms-length private corporation. The Company acquired net revenue interests ranging from 3.8% to 36%, subject to Crown royalties, for cash consideration of $362,000, and the issuance of 500,000 common shares having a fair value of $0.50 per share. The Company sold certain interests in a number of these assets to an arms-length party in fiscal 2012 for $175,000 in cash and the assumption of the liability for abandonment costs.

USA

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

In the year ended March 31, 2013 gas production was received from a well in which the Company holds a 3.67% working interest.

6. EXPLORATION AND EVALUATION ASSETS

	Canada $	USA $	Total $
As at March 31, 2011	1,541,737	59,578	1,601,315
Acquisitions and lease extension payments	43,645	-	43,645
Exploration and development expenditures	123,355	-	123,355
Writedown of Wildmere wells	(1,195,108)	-	(1,195,108)
Change in decommissioning liabilities (Note 9)	(2,934)	-	(2,934)
As at March 31, 2012	510,695	59,578	570,273
Acquisitions and lease extension payments	1,048	-	1,048
Exploration and development expenditures	88,794	-	88,794
Sale of interest in properties	(15,000)	-	(15,000)
Writedown of properties	(623,783)	(59,578)	(683,361)
Change in decommissioning liabilities (Note 9)	72,336	-	72,336
As at March 31, 2013	**34,090**	**-**	**34,090**

Undeveloped Land - Alberta

At March 31, 2013 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.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Cont'd)

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 a joint venture partner. Penn West acquired their interest and operatorship by conducting a 3D seismic program in 2011 over the Company's Lands. Penn West has applied for a lease continuation of the P&NG lease. Approval of this continuation would extend the lease for an additional one year period beyond the original primary term of June 2013.

Wildmere

In January of 2011, GPI Oil & Gas Inc. ("GPI"), 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 under the Farm-in Agreement between the private company and the Farmor, the private company declared insolvency in November, 2011. GPI 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 non-refundable deposit towards the sale, however, the agreement was not successful. During the year ended March 31, 2013 the Company recorded all decommissioning liabilities related to the Wildmere wells.

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. One well continues to produce which the Company is accruing related revenues and expenses pending the outcome of the receivership process.

Midland Basin , USA

The Company participated in the drilling of an exploration well in 2009. The well was unsuccessful, however the Company earned an interest in the lands as a result of drilling this well. During the year ended March 31, 2013 the Company entered into an agreement to relinquish its interest in these lands in exchange for the initial costs of the test well (US $21,173), resulting in a gain on settlement of debt of $21,787.

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the year ended March 31, 2013 and 2012 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, 2013 $	March 31, 2012 $
Management fees	160,040	167,530
Share-based payments	(54,618)	28,028
Total	**105,422**	**195,558**

(Expressed in Canadian Dollars)

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

Payable to related parties

Balances due to related parties consists of amounts owing to officers, director (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, 2013 $	March 31, 2012 $
Related party payable for services	28,634	4,000
Related party payable for travel	16,166	-
Total	**44,800**	**4,000**

Payable to former related parties

	March 31, 2013 $	March 31, 2012 $
Related party payable for services	232,266	167,541
Related party payable for travel	18,939	14,677
Loans from related parties	31,270	29,315
Total	**282,475**	**211,533**

8. LOANS PAYABLE

At March 31, 2013, the Company has short-term loans owing to unrelated parties in the amount of $279,393 (2012: $389,908). These amounts are due on demand, bear interest rates up to 10% per annum and are unsecured.

9. DECOMMISSIONING LIABILITIES

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

	March 31, 2013 $	March 31, 2012 $
Balance, beginning of the year	242,299	250,404
Accretion	2,574	4,119
Change in estimates (Notes 5 and 6)	(18,242)	(12,224)
Decommissioning liabilities on Wildmere wells (Note 6)	72,336	-
Liabilities derecognized on property dispositions	(30,300)	-
Balance, end of year	268,667	242,299
Less: current portion	(171,768)	(80,016)
Long-term portion	**96,899**	**162,283**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

Shares authorized, issued and outstanding at March 31, 2013 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, March 31, 2012 and 2011	47,478,432	11,427,027
Share consolidation (20:1) (i)	(45,104,579)	-
Shares issued for private placements (ii)	1,426,000	285,200
Shares issued for debt settlement (iii)	1,031,813	247,365
Share issue costs	-	(6,500)
Balance at March 31, 2013	**4,831,666**	**11,953,092**

(i) Effective October 4, 2012, the Company's common shares were consolidated on a 20 for 1 basis. All current and comparative references to the number of shares, warrants, options, weighted average number of shares and loss per share have been restated to give effect to the 20 to 1 share consolidation. Effective at the opening on October 4, 2012 the shares of WesCan commenced trading on the TSX Venture Exchange on a consolidated basis.

(ii) On January 18, 2013, the Company completed a private placement, issuing 1,426,000 common shares at $0.20 per share for total proceeds of $285,200 and incurring share issue costs of $6,500.

(iii) On January 7, 2013, the Company completed shares for debt settlements, issuing 1,031,813 common shares with an estimated fair value of $247,365 to settle $206,363 of debt, resulting in a loss on debt settlement of $41,002.

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.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Cont'd)

d) Share Purchase Warrants

A summary of share purchase warrants issued and exercised in the years ended March 31, 2013 and 2012 is as follows:

	March 31, 2013		March 31, 2012	
	Number of warrants	Weighted average exercise price per warrant $	Number of warrants	Weighted average exercise price per warrant $
Balance, beginning of year	817,755	4.00	1,347,755	3.60
Expired	(817,755)	4.00	(530,000)	3.00
Warrants, outstanding and exercisable, end of year	**-**	**-**	**817,755**	**4.00**

e) Stock options

The Company established a stock option plan in the year ended March 31, 2006 (revised in fiscal 2009) 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, issued and exercised in the years ended March 31, 2013 and 2012 is as follows:

	March 31, 2013		March 31, 2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance, beginning of year	163,750	2.80	234,500	2.60
Forfeited or expired	(156,250)	2.78	(70,750)	2.60
Balance, end of year	**7,500**	**2.33**	**163,750**	**2.80**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Cont'd)

e) Stock options (Cont'd)

A summary of stock options outstanding and exercisable at March 31, 2013 is as follows:

Exercise Price		Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted average remaining life
$	3.00	January 28, 2011	January 28, 2016	2,500	2,500	2.83
$	2.00	December 30, 2010	December 1, 2015	5,000	5,000	2.67
$	**2.33**			**7,500**	**7,500**	**2.72**

During the years ended March 31, 2013 and March 31, 2012, the Company did not grant any stock options.

The Company recognized $(65,169) (2012 – $33,443) for the vested portion of stock options which have been recorded in equity reserves and charged to profit or loss for the year ended March 31, 2013.

f) Per share data

The diluted earnings per share calculation includes the impact of all warrants and stock options outstanding during the year. At March 31, 2013, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

(Expressed in Canadian Dollars)

11. INCOME TAXES

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

	2013 $	2012 $
Loss for the year	(730,128)	(1,370,074)
	25.00%	26.13%
Expected income tax recovery at statutory rates	(182,532)	(358,000)
Other differences	13,402	11,896
Permanent differences	(34,419)	10,498
Change in unrecognized deferred income tax assets	203,549	335,606
Total income tax recovery	-	-

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

	2013 $	2012 $
Deferred income tax assets attributable to:		
Equipment and vehicles	12,081	12,081
Share issue costs	19,595	34,420
Decommissioning liabilities	67,167	60,575
Oil and gas properties	930,297	778,754
Non-capital losses available for future periods	1,380,221	1,319,981
	2,409,361	2,205,811
Unrecognized deferred income tax assets	(2,409,361)	(2,205,811)
Net deferred income tax assets	-	-

As at March 31, 2013, the Company has non-capital losses carried forward of $5,379,512 which are available to offset future years' taxable income. These losses expire as follows:

	$
2014	528,042
2015	441,007
2026	369,274
2027	648,811
2028	324,501
2029	845,837
2030	517,654
2031	613,501
2032	520,728
2033	570,157
	5,379,512

The potential income tax benefits relating to deferred income tax assets have not been recognized in the consolidated financial statements as their realization is not probable.

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

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 cost centers, Canada and the USA. Set out below is segmented information on a geographic basis.

	March 31, 2013			March 31, 2012		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Oil and gas revenue, net of royalties	47,479	4,124	51,603	103,580	4,252	107,831
Operating costs	(36,637)	(1,162)	(37,799)	(71,165)	(1,022)	(72,186)
Depletion and accretion	(11,496)	-	(11,496)	(24,803)	(2,744)	(27,547)
	(654)	**2,962**	**2,308**	**7,612**	**486**	**8,098**

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, and loans payable, are recorded at amortized cost. Cash is recorded at fair value through profit or loss. 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, 2013 Carrying Value	March 31, 2013 Fair Value	March 31, 2012 Carrying Value	March 31, 2012 Fair Value
		$	$	$	$
Financial assets					
Cash	Fair value through profit or loss	208,923	208,923	5,395	5,395
Trade and other receivables	Loans and receivables	13,528	13,528	36,734	36,734
Financial liabilities					
Trade and other payables	Other financial liabilities	313,692	313,692	481,088	481,088
Payable to related parties	Other financial liabilities	44,800	44,800	4,000	4,000
Payable to former related parties	Other financial liabilities	282,475	282,475	211,533	211,533
Loans payable	Other financial liabilities	279,393	279,393	389,908	389,908

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)

13. 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 statement of financial position as of March 31, 2013 are as follows:

	Balance at March 31, 2013	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		$	$	$	$
Assets:					
Cash	208,923	208,923	-	-	208,923

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is attributable to cash and trade and other receivables. Cash is held in demand accounts at a Canadian chartered bank. The Company does not believe it is subject to any significant counterparty risk with respect to cash.

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

The carrying amount of trade and other receivables and cash represents the maximum credit exposure. The Company has an allowance for doubtful accounts of $8,325 as at March 31, 2013.

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 ensures 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 $313,000 in accounts payable which are overdue at March 31, 2013 and insufficient cash on hand to satisfy those debts should they be demanded.

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.

13. FINANCIAL INSTRUMENTS (Cont'd)

Contractual undiscounted cash flow requirements for contractual obligations as at March 31, 2013 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	313,692	-	-	-	313,692
Due to related parties	44,800	-	-	-	44,800
Due to former related parties	282,475	-	-	-	282,475
Loans payable	279,393	-	-	-	279,393
Decommissioning liabilities	-	171,768	-	96,899	268,667

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 the development stage oil and gas business operations.

Foreign exchange risk

The Company currently generates approximately 8% of its gross revenue from a natural gas well in the United States 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 could have a material impact on the results of 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 exposed to foreign currency risk on its US dollar denominated assets and financial liabilities. At March 31, 2013 the Canadian dollar cost of paying the Company's US dollar denominated liabilities and property payment commitments would increase by approximately $300 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, 2013 for a 1% increase/decrease in the cost of oil and gas, revenue would increase/decrease by approximately $200 per quarter based upon March 2013 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.

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 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, 2014. 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.