WESCAN ENERGY CORP.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THIRD QUARTER REPORT

For three and nine months ended

December 31, 2015

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of Management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

WesCan Energy Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars – unaudited)

Balance Sheet	**December 31, 2015 $**	**March 31, 2015 $**
ASSETS		
Current Assets		
Cash and cash equivalents	384,660	131,419
Trade and other receivables (note 4)	104,440	15,812
Prepaid expenses and deposits	-	1,500
Total current assets	489,100	148,731
Non-current assets		
Property, Facilities and Equipment (note 5)	2,756,134	4,063
TOTAL ASSETS	3,245,234	152,794
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	723,416	194,261
Payable to related parties (note 7)	24,561	31,526
Payable to former related parties (note 7)	287,766	286,296
Loans payable (note 8)	1,544,847	248,333
Current portion of decommissioning liabilities (note 9)	60,448	60,448
Total current liabilities	2,641,038	820,864
Non-current Liabilities		
Decommissioning liabilities (note 9)	1,549,898	63,030
Total liabilities	4,190,936	883,894
Shareholders' Equity		
Share capital (note 10)	12,899,689	12,899,689
Equity reserves (note 10)	1,538,240	1,538,240
Accumulated deficit	(15,383,631)	(15,169,029)
	(945,702)	(731,100)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,245,234	152,794

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

WesCan Energy Corp.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended December 31, 2015
(unaudited)

	Three Months Ended Deceember 31		Nine Months Ended December 31	
	2015	2014	2015	2014
	$	$	$	$
Revenue				
Oil and natural gas sales	378,010	13,548	960,070	38,230
Royalties	(60,681)	(754)	(159,967)	(1,876)
	317,329	12,794	800,103	36,354
Expenses				
Operating costs	372,286	6,858	658,102	25,697
General and administrative	94,880	69,204	263,394	200,211
Depletion, accretion and depreciation	37,219	1,348	85,510	3,734
	504,385	77,410	1,007,006	229,642
Results from operating activities	(187,056)	(64,616)	(206,903)	(193,288)
Other income (expenses)				
Interest expense	(2,639)	(2,188)	(7,699)	(7,024)
Net income (loss) and comprehensive income (loss)	**(189,695)**	**(66,804)**	**(214,602)**	**(200,312)**
Basic and diluted loss per share (note 10 (f))	($0.01)	($0.00)	($0.01)	($0.01)
Weighted average number of common shares outstanding during the period	21,753,991	21,753,991	21,753,991	19,174,082

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

WesCan Energy Corp.
Consolidated Statements of Changes in Equity
For the nine months ended December 31, 2015
(unaudited)

	Share Capital				
	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)
Shares issued for private placement	-	-	-	-	-
Share issue costs	-	-	-	-	-
Loss for the period	-	-	-	(214,602)	(214,602)
Balance at December 31, 2015	21,753,991	12,899,689	1,538,240	(15,383,631)	(945,702)
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)
Loss for the period	-	-	-	(200,312)	(200,312)
Balance at December 31, 2014	21,753,991	12,899,689	1,538,240	(14,940,697)	(502,769)

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

WesCan Energy Corp.
Consolidated Statements of Cash Flows
For the three and nine months ended December 31, 2015
(unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
	2015	2014	2015	2014
	$	$	$	$
Operating activities				
Net income (loss) for the period	(189,695)	(66,804)	(214,602)	(200,312)
Non-cash items:				
Depletion and accretion	19,917	851	44,543	2,243
Depreciation of equipment	17,302	497	40,967	1,491
Interest expense	2,639	2,188	7,699	7,024
Share-based payments	-	-	-	-
	(149,837)	(63,268)	(121,393)	(189,554)
Change in non-cash working capital items:				
(Increase) decrease in trade and other receivables	42,059	2,931	(88,628)	(881)
(Increase) decrease in prepaid expenses and deposit	-	(52,063)	1,500	(46,863)
Increase (decrease) in trade and other payables	257,741	25,736	521,455	(54,125)
Net cash used in operating activities	149,963	(86,664)	312,934	(291,423)
Investing activities				
Purchase of property and equipment	(69,769)	-	(1,350,712)	-
Expenditures on exploration and evaluation assets	-	(28,875)	-	(86,625)
Net cash used in investing activities	(69,769)	(28,875)	(1,350,712)	(86,625)
Finance activities				
Proceeds from issuance of common shares	-	-	-	500,000
Share issue costs	-	-	-	(3,250)
Loans received, net of repayments	(33,195)	-	1,296,514	-
Amounts received, net of payments, from related parties	337	(8,921)	(5,495)	(26,696)
Net cash provided by financing activities	(32,858)	(8,921)	1,291,019	470,054
Change in cash	47,336	(124,460)	253,241	92,006
Cash, beginning of period	337,324	355,825	131,419	139,359
Cash, end of period	**384,660**	**231,365**	**384,660**	**231,365**

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 its mailing address is, Suite 2500, 520 – 5th Avenue S.W., Calgary, Alberta T2P 3R7, Canada

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 December 31, 2015 the Company has a working capital deficiency of $2,151,938 (December 31, 2014 - $527,313) and an accumulated deficit of $15,383,631 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 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 interim condense 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 issuance by the Board of Directors on February 26, 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.

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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed the new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company. The Company has not quantified the effect of the following:

IFRS 15 – "Revenue from contracts with customers", replaces International Accounting Standard 11, "Construction Contracts" ("IAS 11"), IAS 18, "Revenue" ("IAS 18"), and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. This IFRS becomes effective for annual periods beginning on or after January 1, 2017 with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the Consolidated Financial Statements.

IFRS 9 – "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39 – "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. This IFRS becomes effective for periods beginning on or after January 1, 2018. The Company has not yet begun the process of assessing the impact that the new standard will have on its financial statements

4. TRADE AND OTHER RECEIVABLES

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

	December 31,	March 31, 2015
	$	$
Net revenue from oil and gas properties	96,185	5,957
Goods and services tax recoverable	7,927	8,196
Other receivables	328	1,659
Total	**104,440**	**15,812**

5. PROPERTY AND EQUIPMENT

	Canada			USA	
Cost	Oil and Natural Gas Interest $	Operated Facilities	Other Fixed Assets	Natural Gas Interest $	Total $
As at March 31, 2014	101,068	-	5,961	9,542	116,571
Change in decommissioning liabilities (Note 9)	(3,861)	-	-	-	(3,861)
As at March 31, 2015	97,207	-	5,961	9,542	112,710
Acquisitions and additions	944,650	406,062	-	-	1,350,712
Addition in decommissioning liabilites (Note 9)	1,476,188	-	-	-	1,476,188
Balance, December 31, 2015	**2,518,045**	**406,062**	**5,961**	**9,542**	**2,939,610**

Accumulated Depletion, Depreciation and impairment	Oil and Natural Gas Interest $	Operated Facilities	Other Fixed Assets	USA $	Total $
As at March 31, 2014	(95,949)	-	(2,982)	(8,458)	(107,389)
Depletion and depreciation for the period	(1,258)	-	-	-	(1,258)
As at March 31, 2015	**(97,207)**	**-**	**(2,982)**	**(8,458)**	**(108,647)**
Depletion and depreciation for the period	(33,863)	(39,475)	(1,491)	-	(74,829)
Balance, December 31, 2015	**(131,070)**	**(39,475)**	**(4,473)**	**(8,458)**	**(183,476)**

	Canada			USA	Total
Carrying amounts	$	$	$	$	$
Balance, March 31, 2014	5,119	-	2,979	1,084	9,182
Balance, March 31, 2015	-	-	2,979	1,084	4,063
Balance, December 31, 2015	**2,386,975**	**366,587**	**1,488**	**1,084**	**2,756,134**

For the nine months ended December 31, 2015, the Company closed an acquisition of oil producing properties in the amount of $1,280,943 including capitalized borrowing costs of $92,640.

Canada

<u>*Provost, AB*</u>

On April 21, 2015, the company entered into a purchase and sale agreement with Alston Energy Inc., through Alston's court-appointed receiver, Alvarez & Marsal Canada Inc., to purchase a 100-per-cent working interest in certain medium and light oil and associated gas properties in east-central Alberta. The agreement was approved by the courts and the TSX Venture Exchange on May 15, 2015, and May 25, 2015, respectively. The acquisition closed on May 25, 2015. The agreement was financed through a combination of existing cash and a series of short-term promissory notes.

The producing assets acquired established a new core area for the company consisting of 100-per-cent-operated, low-decline crude oil and associated gas production. Current production is approximately 115 barrels of oil equivalent per day (85 per cent oil and natural gas liquids and 15 per cent natural gas). The property also includes 100-per-cent ownership of key producing infrastructure, including batteries and related pipelines.

<u>*Equisetum Wells / Peerless Lake, AB*</u>

The Company holds a 36% working interest in four wells at Equisetum / Peerless Lake Alberta. The Operator of these wells went into receivership in 2012. In 2014 two of these wells were subsequently purchased from a new Operator of which one well is currently producing and the other well remains 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.

East-Central, AB

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 subsequently decided to terminate the proposed acquisition and wrote-off the deposit in the current fiscal year.

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.

6. EXPLORATION AND EVALUATION ASSETS

	Canada $	USA $	Total $
As at March 31, 2014	13,557	-	13,557
Exploration and development expenditures	-	-	-
As at March 31, 2015	**13,557**	**-**	**13,557**
Exploration and development expenditures	(13,557)	-	(13,557)
As at December 31, 2015	-	-	-

Canada

Undeveloped Land - Alberta

At March 31, 2015, 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:

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances entered into during the month ended December 31, 2015 and 2014 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:

	December 31, 2015 **$**	March 31, 2015 **$**
Management Fees	123,750	165,000
Total	**123,750**	**165,000**

Payables to Related Parties

Balances due to related parties consists of amounts owing to officers and 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.

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

	December 31, 2015 $	March 31, 2015 $
Related party payable for services	24,561	31,526
Total	**24,561**	**31,526**

Payables to Former Related Parties

	December 31, 2015 $	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	36,561	35,091
Total	**287,766**	**286,296**

8. LOANS PAYABLE

At December 31, 2015, the Company has short-term loans owing to unrelated parties in the amount of $1,544,847 (2014: $246,294). 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:

	December 31, 2015 $	March 31, 2015 $
Balance, beginning of the year	123,478	169,474
Accretion	10,680	1,720
Liabilities Incurred	1,476,188	-
Change in estimates (Notes 5 and 6)	-	(47,716)
Balance, end of year	1,610,346	123,478
Less: current portion	(60,448)	(60,448)
Long-term portion	**1,549,898**	**63,030**

During the nine month period ended December 31, 2015, there was an addition to the decommissioning liabilities of $1,476,188 due to the acquisition of the oil and gas properties acquired at Provost, at east-central Alberta.

10. SHARE CAPITAL

Shares authorized, issued and outstanding at December 31, 2015 are as follows:

a) Authorized

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

10. SHARE CAPITAL (Cont'd)

b) Issued

	Number of common shares	Amount $
Balance, March 31, 2013	4,831,666	11,953,092
Shares issued for private placements (i)	8,302,602	435,886
Shares issued for debt settlement (ii)	286,390	21,029
Shares issued costs	-	(7,068)
Balance, March 31, 2014	13,420,658	12,402,939
Shares issued for private placements (iii)	8,333,333	500,000
Shares issued costs	-	(3,250)
Balance at December 31, 2015	**21,753,991**	**12,899,689**

(i) On July 23, 2013, the Company completed a non-brokered private placement, issuing 8,302,602 units at $0.0525 per unit for total proceeds of $435,886 and incurring share issue costs of $7,068. 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 July 23, 2015.

(ii) On November 15, 2013, the Company completed shares for debt settlements, issuing 286,390 common shares with an estimated fair value of $21,029 for debt settlement with a face value of $57,278 resulting in a gain on debt settlement of $36,249.

(iii) 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.

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 period ended December 31, 2015 and March 31, 2015 is as follows:

	December 31, 2015		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	4,151,301	0.10	4,151,301	0.10
Addition	4,166,667	0.10	4,166,667	0.10
Warrants, outstanding and exercisable, end of period	**8,317,968**	**0.10**	**8,317,968**	**0.10**

10. SHARE CAPITAL (Cont'd)

A summary of warrants outstanding and exercisable at December 31, 2015 is as follows:

Weighted Average Exercise Price		Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted Average Remaining Life
$	0.10	July 23, 2013	July 23, 2015	4,151,301	4,151,301	-
$	0.10	April 23, 2014	April 23, 2016	4,166,667	4,166,667	0.15
$	**0.10**			**8,317,968**	**8,317,968**	**0.15**

During the quarter a total of 4,151,301 warrants expired 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.

A summary of share purchase options cancelled, issued and exercised in the period ended December 31, 2015 and March 31, 2015 is as follows:

	December 31, 2015		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
Granted	-	-	-	-
Balance, end of period	**1,307,500**	**0.07**	**1,307,500**	**0.07**

A summary of stock options outstanding and exercisable at December 31, 2015 is as follows:

Exercise Price		Date of Grant	Expiry Date	Outstanding	Exercisable	Weighted Average Remaining Life
$	0.06	October 24, 2013	October 24, 2018	1,300,000	1,300,000	2.80
$	3.00	January 28, 2011	January 28, 2016	2,500	2,500	-
$	2.00	December 30, 2010	December 1, 2015	5,000	5,000	-
$	**0.07**			**1,307,500**	**1,307,500**	**2.80**

The weighted average grant date fair value of options granted during the year ended March 31, 2014 was $0.06. The Company recognized $nil (2014 - $75,162) for the vested portion of stock options which has been recorded in equity reserves and charged to profit or loss. The fair values were determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

10. SHARE CAPITAL (Cont'd)

	Year ended March 31, 2015	Year ended March 31, 2014
Expected life of options	-	5 years
Annualized volatility	-	186%
Risk-free interest rate	-	1.71%
Dividend rate	-	0%
Share price on grant date	-	$0.06
Exercise price	-	$0.06

f) Per share data

The diluted earnings per share calculation includes the impact of all warrants and stock options outstanding during the year. At December 31, 2015, all warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive.

11. 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.

	Three months ended December 31, 2015			Three months ended December 31, 2014		
	Canada $	USA $	Total $	Canada $	USA $	Total $
Oil and gas revenue, net of royalties	316,686	643	317,329	11,495	1,299	12,794
Operating costs	(372,034)	(252)	(372,286)	(6,572)	(286)	(6,858)
Depletion and accretion	(19,917)	-	(19,917)	(851)	-	(851)
	(75,265)	**391**	**(74,874)**	**4,072**	**1,013**	**5,085**

	Nine months ended December 31, 2015			Nine months ended December 31, 2014		
	Canada $	USA $	Total $	Canada $	USA $	Total $
Oil and gas revenue, net of royalties	797,836	2,267	800,103	32,597	3,757	36,354
Operating costs	(657,284)	(818)	(658,102)	(25,015)	(682)	(25,697)
Depletion and accretion	(44,543)	-	(44,543)	(2,243)	-	(2,243)
	96,009	**1,449**	**97,458**	**5,339**	**3,075**	**8,414**

12. 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.

12. FINANCIAL INSTRUMENTS (Cont'd)

		December 31, 2015		March 31, 2015	
	Financial instrument classification	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Financial assets					
Cash	Fair value through profit or loss	384,660	384,660	131,419	131,419
Trade and other receivables	Loans and receivables	104,440	104,440	15,812	15,812
Financial liabilities					
Trade and other payables	Other financial liabilities	723,413	723,413	194,261	194,261
Payable to related parties	Other financial liabilities	24,561	24,561	31,526	31,526
Payable to former related parties	Other financial liabilities	287,766	287,766	286,296	286,296
Loans payable	Other financial liabilities	1,544,847	1,544,847	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 follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as of December 31, 2015 are as follows:

	Balance at December 31, 2015	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	Total $
Assets:					
Cash	384,660	384,660	-	-	384,660

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.

12. FINANCIAL INSTRUMENTS (Cont'd)

The carrying amount of trade and other receivables and cash represents the maximum credit exposure. The Company has an allowance for doubtful accounts of $10,160 as at December 31, 2015.

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 $723,000 in accounts payable which are overdue at December 31, 2015 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.

Contractual undiscounted cash flow requirements for contractual obligations as at December 31, 2015 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	723,413	-	-	-	723,413
Due to related parties	24,561	-	-	-	24,561
Due to former related parties	287,766	-	-	-	287,766
Loans payable	1,544,847	-	-	-	1,544,847
	2,580,587	-	-	-	2,580,587

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 $2,267 revenue from a natural gas well in the United States with a carrying value of $1,084. Oil and gas commodities 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:

12. FINANCIAL INSTRUMENTS (Cont'd)

(i) The Company is exposed to foreign currency risk on its US dollar denominated assets and financial liabilities. At December 31, 2015 the Canadian dollar cost of paying the Company's US dollar denominated liabilities and property payment commitments would increase nominally resulting in 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.

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.

13. 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, 2016. 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.