WESCAN ENERGY CORP.

CONDENSED INTERIM
CONSOLIDATED FNANCIAL STATEMENTS

THIRD QUARTER REPORT

For the three and nine months ended

December 31, 2016

(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 Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

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

	December 31, 2016	March 31, 2016
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	222,320	255,402
Trade and other receivables	150,200	109,285
Prepaid expenses and deposits	-	10,370
Total current assets	372,520	375,057
Non-current assets		
Oil and gas properties (Note 5)	5,887,602	6,314,006
Total non-current assets	5,887,602	6,314,006
TOTAL ASSETS	6,260,122	6,689,063
LIABILITIES		
Current liabilities		
Trade and other payables	654,323	787,245
Payable to related parties (Note 7)	44,037	19,203
Payable to former related parties (Note 7)	289,750	288,257
Convertible loans payable (Note 8)	1,301,744	1,294,398
Loans payable (Note 8)	263,442	256,848
Current portion of decommissioning provision (Note 9)	60,448	60,448
Total current liabilities	2,613,744	2,706,399
Non-current liabilities		
Decommissioning provision (Note 9)	1,582,328	1,558,883
Total liabilities	4,196,072	4,265,282
SHAREHOLDERS\` EQUITY		
Share capital (Note 10)	12,899,689	12,899,689
Equity reserves (Note 10)	1,538,240	1,538,240
Deficit	(12,373,879)	(12,014,148)
Total shareholders\`equity	2,064,050	2,423,781
TOTAL LIABILITIES AND SHAREHOLDERS\` EQUITY	6,260,122	6,689,063

Approved and authorized for issue on behalf of the Board on February 28, 2017:

"Greg T. Busby"
Greg T. Busby, Director

"Richard D. Orman"
Richard D. Orman, Director

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

WesCan Energy Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars – unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
	2016	2015	2016	2015
REVENUE	$	$	$	$
Petroleum and natural gas sales	428,175	378,010	1,172,068	960,070
Less: royalties	(48,784)	(60,681)	(130,579)	(159,967)
	379,391	317,329	1,041,489	800,103
EXPENESE				
Operating costs	229,003	372,286	620,879	658,102
Genral and administrative	78,431	112,182	286,484	304,361
Depletion and accretion	148,503	19,917	478,424	44,543
	455,937	504,385	1,385,787	1,007,006
Net income (loss)	(76,546)	(187,056)	(344,298)	(206,903)
Other income (expenses)				
Finance and Interest expense	(10,074)	(2,639)	(15,433)	(7,699)
Net income (loss) and comprehensive income (loss)	**(86,620)**	**(189,695)**	**(359,731)**	**(214,602)**
Basic and diluted loss per share (note 10 (f))	($0.00)	($0.01)	($0.02)	($0.01)
Weighted average number of common shares outstanding during the period	21,753,991	21,753,991	21,753,991	21,753,991

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

WesCan Energy Corp.
Condensed Interim Consolidated Statements of Changes in Shareholders Equity
(Expressed in Canadian Dollars – unaudited)

December 31, 2016

	Share Capital				
	Number of Shares	Amount $	Equity Reserves $	Deficit $	Total $
Balance at March 31, 2016	21,753,991	12,899,689	1,538,240	(12,014,148)	2,423,781
Net loss for the period	-	-	-	(359,731)	(359,731)
Balance at December 31, 2016	21,753,991	12,899,689	1,538,240	(12,373,879)	2,064,050

December 31, 2015

	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)
Net 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)

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

WesCan Energy Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars – unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
	2016	2015	2016	2015
	$	$	$	$
Operating activities				
Net income (loss) for the period	(86,624)	(189,695)	(359,731)	(214,602)
Non-cash items:				
Depletion	117,345	16,357	388,997	33,863
Depreciation	23,343	17,302	66,479	40,967
Accretion	7,815	3,560	23,445	10,680
Interest expense	10,074	2,639	15,433	7,699
	71,953	(149,837)	134,623	(121,393)
Change in non-cash working capital items:				
(Increase) decrease in trade and other receivables	(38,897)	42,059	(41,907)	(88,628)
(Increase) decrease in prepaid expenses and deposit	1,295	-	10,370	1,500
Increase (decrease) in trade and other payables	(3,001)	257,741	(132,432)	521,455
Net cash provided by (used in) operating activities	31,350	149,963	(29,346)	312,934
Investing activities				
Purchase of property and equipment	-	(69,769)	-	(1,350,712)
Expenditures on oil and gas properties	-	-	(30,063)	-
Net cash used in investing activities	-	(69,769)	(30,063)	(1,350,712)
Finance activities				
Loans received, net of repayments	-	(33,195)	-	1,296,514
Amounts received, net of payments, from related parties	501	337	26,327	(5,495)
Net cash provided by financing activities	501	(32,858)	26,327	1,291,019
Change in cash and cash equivalents	31,851	47,336	(33,082)	253,241
Cash and cash equivalents, beginning of period	190,469	337,324	255,402	131,419
Cash and cash equivalents, end of period	**222,320**	**384,660**	**222,320**	**384,660**

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

1. REPORTING ENTITY AND GOING CONCERN

Reporting entity

WesCan Energy Corp. ("WesCan" or the "Company") changed its name from Great Pacific International Inc. effective October 4, 2012. WesCan was incorporated on November 4, 1993 under the Business Corporations Act (Alberta), Canada. WesCan is a junior public resource company in the business of oil and gas exploration, development and production with oil and gas operations and property interests in Alberta, Canada and Texas, U.S.A. The common shares of WesCan trade on the TSX Venture Exchange ("TSX-V") under the symbol WCE. The Company's registered office and mailing address is located at 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 December 31, 2016 the Company has a working capital deficiency of $2,241,224 (March 31, 2016 - $2,331,342) and an accumulated deficit of $12,373,879 since inception, and is not yet generating positive cash flow from operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Accordingly, external financing will be required in order for the Company to continue as a going concern. In order to continue as a going concern, meet property payment, participation and lease obligations, discharge all liabilities, and meet all commitments the Company will need to raise additional funds through equity financing during the next fiscal year.

Furthermore, the Company will require additional financing to carry out the petroleum exploration and development required to offset production declines, increase oil and gas reserves and achieve a self-sustaining level of revenue. Management is actively pursuing new financings; however, there can be no assurance that it will be able to raise sufficient funds on acceptable terms. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

Basis of presentation

a) Statement of compliance:

The Corporation prepares its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The CICA Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, including IAS 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended March 31, 2016. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of February 28, 2017, the date the Board of Directors approved the statements.

2. BASIS OF PRESENTATION (Cont'd)

b) Basis of measurement:

The interim consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation's accounting policies in the audited consolidated financial statements for the year ended March 31, 2016. The methods used to measure fair values of derivative instruments are discussed in note 15.

c) Functional and presentation currency:

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

d) Significant accounting estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. RECENT ACCOUNTING PRONOUNCEMENTS

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

New accounting standards issued but not yet effective

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

New accounting standards to be adopted April 1, 2016

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

New accounting standards to be adopted April 1, 2018

IFRS 15, *Revenue from Contracts with Customers:* In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate,* IFRIC 18, *Transfers of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

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

(Expressed in Canadian Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (Cont'd)

New accounting standards to be adopted April 1, 2019

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

4. BUSINESS COMBINATION

On April 20, 2015, the Company entered into an agreement (the "Agreement") with Alston Energy Inc. ("Alston") through Alston's court appointed receiver, Alvarez & Marsal Canada Inc. ("Alvarez"), to acquire a 100% working interest in certain petroleum and natural gas rights located in east-central Alberta. The total cash consideration for the acquisition was $1,240,000 which was fully paid by the Company to Alvarez between April and May 2015. The Agreement was approved by the courts and the TSX-V Exchange on May 15, 2015 and May 25, 2015 respectively and the acquisition was completed on May 25, 2015. The acquisition was financed through a combination of existing cash and a series of short-term promissory notes issued during the year (see Note 10).

The Company's purpose for completing the acquistion was to acquire additional oil production.

The following summarizes the allocation of the consideration paid:

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

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

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

5. OIL AND GAS PROPERTIES

Canada

Equisetum Wells / Peerless Lake

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

Wildmere

In January of 2011, the Company entered into a Joint Operating Agreement ("JOA") with a private company to drill two wells at Wildmere, Alberta. Subsequent to the drilling of these wells and prior to earning under the Farm-in Agreement between the private company and the Farmor, the private company declared insolvency in November 2011. The Company attempted to enter into a new arrangement to sell its interest in the leases upon

(Expressed in Canadian Dollars)

5. OIL AND GAS PROPERTIES (Cont'd)

which the wells were drilled, including the related decommissioning obligations, however, the transaction was never completed.

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

Provost

During the year ended March 31, 2016, the Company paid $1,240,000 for acquisition of a 100% interest in oil and gas properties in Provost region of Alberta. The transaction has been accounted for as a business combination (Note 4).

At March 31, 2016, the Company recorded an impairment write-down of petroleum properties in the amount of $1,613,765 to write-down the property costs to the estimated recoverable amount of $6,313,014 at March 31, 2016. The impairment resulted from a material decline in commodity prices during the year. The recoverable amount of the CGU was determined using a value in use approach based on the 2016 year-end reserves report prepared by an independent engineer and a pre-tax discount rate of 15% for proved and probable reserves.

USA

Sedna-Nicko Well

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

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

	Canada	USA	Total
Cost	Alberta	$	$
As at March 31, 2015	97,207	9,542	106,749
Acquisitions (Note 4)	6,981,000	-	6,981,000
Development costs	168,072		168,072
Change in decommissioning liabilities (Note 11)	1,248,832	-	1,248,832
Sale of royalty rights	(150,000)	-	(150,000)
Impairment	(1,613,765)		(1,613,765)
As at March 31, 2016	6,731,346	9,542	6,740,888
Additions in intangibles assets	30,063		30,063
As at December 31, 2016	**6,761,409**	**9,542**	**6,770,951**

Depletion and impairment	Canada $	USA $	Total $
As at March 31, 2015	(97,207)	(8,458)	(105,665)
Depletion	(322,208)	-	(322,208)
As at March 31, 2016	(419,415)	(8,458)	(427,873)
Depletion	(455,476)	-	(455,476)
As at December 31, 2016	**(874,891)**	**(8,458)**	**(883,349)**

Net book value	Canada $	USA $	Total $
As at March 31, 2015	-	1,084	1,084
As at March 31, 2016	6,312,922	1,084	6,314,006
As at December 31, 2016	**5,886,518**	**1,084**	**5,887,602**

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

Canada

Undeveloped Land - Alberta

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

Sawn Lake/Red Earth

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

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

The following table summarizes changes in exploration and evaluation assests of the Company during the month ended December 31, 2015 and 2016:

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

7. RELATED PARTY TRANSACTIONS AND BALANCES

Key Management Compensation

	December 30, 2016 **$**	March 31, 2016 **$**
Short-term employee benefits:		
Management fees	123,750	165,000
Total	**123,750**	**165,000**

Payable to related parties

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

(Expressed in Canadian Dollars)

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

	December 31, 2016 $	March 31, 2016 $
Related party payable for services	**44,037**	**19,203**

Payable to former related parties

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

	December 31, 2016 $	March 31, 2016 $
Related party payable for services	232,266	232,266
Related party payable for travel	18,939	18,939
Loans from related parties	38,545	37,052
Total	**289,750**	**288,257**

8. LOANS PAYABLE AND CONVERTIBLE LOANS PAYABLE

At December 31, 2016, the Company has short-term loans owing to unrelated parties in the amount of $289,750 (2015 - $287,766). These amounts are due on demand, bear interest rates up to 10% per annum and are unsecured.

At December 31, 2016, the Company has short-term convertible loans payable to unrelated parties in the amount of $1,301,744 (2015 - $1,544,847). These loans are due on demand, bear interest up to 10% per annum and are unsecured. The loans are convertible at the option of the Lender along with any future private placement as may be determined by the Company. As a result, the Company is unable to estimate the allocation of the value between the debt and equity components. No value ascribed to the equity component of these convertible loans.

9. DECOMISSIONING LIABILITY

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

	December 31, 2016 $	March 31, 2016 $
Balance, beginning of the year	1,619,331	123,478
Decommissioning liabilities assumed in business combination	-	178,222
Accretion	23,445	68,799
Change in estimates	-	1,248,832
Balance, end of year	1,642,776	1,619,331
Less: current portion	(60,448)	(60,448)
Long-term portion	**1,582,328**	**1,558,883**

During the year ended March 31, 2016, the Company acquired a property in the Provost area of Alberta and assumed a decommissioning liability in amount of $178,222 with the acquisition. At the time of acquisition, the fair value of the decommissioning liability was valued using a discount rate of 15% and inflation rate of 1.88% (see Note 4).

(Expressed in Canadian Dollars)

9. DECOMISSIONING LIABILITY (Cont'd)

The change in the estimate of the decommissioning liability of $1,248,816 was a result of the recalculation of the liability subsequent to the acquisition. During the year-ended March 31, 2015, the Company recorded a reduction of the decommissioning liability in the amount of $47,716.

The present value of the decommissioning obligation of $1,619,315 (2015 - $123,478) was calculated using an average risk-free rate of 2.09% (2015 – 0.89%) and inflation rate of 1.88% (2015 – 1.60%). The weighted average reserve life of the wells is estimated to be approximately 17 years (2015 – 6 years). At March 31, 2016, the undiscounted value of the obligation was $1,886,929 (2015 – $335,824). Reclamation activities are expected to occur between 2017 and 2033.

10. SHARE CAPITAL

Shares authorized, issued and outstanding at December 31, 2016 are as follows:

a) Authorized

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

b) Issued

	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)
	13,420,658	12,402,939
Shares issued for private placements (iii)	8,333,333	500,000
Shares issued costs	-	(3,250)
Balance at Marchr 31, 2015 and December 31, 2016	21,753,991	12,899,689

See consolidated statement of changes in equity (deficiency).

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

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, 2016 and 2015 is as follows:

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Cont'd)

	September 30, 2016		March 31, 2016	
	Number of warrants	Weighted Average Exercise Price per warrant $	Number of warrants	Weighted Average Exercise Price per warrant $
Balance, beginning of year	4,166,667	0.10	8,317,968	0.10
Expired	(4,166,667)	-	(4,151,301)	0.10
Balance, outstanding and exercisable, end of period	**-**	**-**	**4,166,667**	**0.10**

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

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

e) Stock Options

The Company has a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to officers, directors, regular employees and persons providing investor-relations or consulting services up to a limit of 5% and 2% respectively of the Company's total number of issued and outstanding shares per year. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed 10 years from the grant date. The stock options vest immediately on the date of the grant or over a period of time as determined by the Board of Directors.

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

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

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Cont'd)

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

$	0.07	October 24, 2013	October 24, 2018	1,300,000	1,300,000	1.80

f) Per share data

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

11. SEGEMENTED INFORMATION AND ECONCOMIC DEPENDENCE

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

	Three month ended December 31, 2016			Three month ended December 31, 2015		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Oil and gas revenue, net of royalties	378,031	1,360	379,391	316,686	643	317,329
Operating costs	(228,634)	(369)	(229,003)	(372,034)	(252)	(372,286)
Depletion and accretion	(148,503)	-	(148,503)	(19,917)	-	(19,917)
	894	**991**	**1,885**	**(75,265)**	**391**	**(74,874)**

	Nine month ended December 31, 2016			Nine month ended December 31, 2015		
	Canada	USA	Total	Canada	USA	Total
	$	$	$	$	$	$
Oil and gas revenue, net of royalties	1,039,288	2,201	1,041,489	797,836	2,267	800,103
Operating costs	(620,188)	(691)	(620,879)	(657,284)	(818)	(658,102)
Depletion and accretion	(478,424)	-	(478,424)	(44,543)	-	(44,543)
	(59,324)	**1,510**	**(57,814)**	**96,009**	**1,449**	**97,458**

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

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (Cont'd)

	Financial instrument classification	December 31, 2016 Carrying Value $	December 31, 2016 Estimated Fair value $	March 31, 2016 Carrying Value $	March 31, 2016 Estimated Fair value $
Financial assets					
Cash and cash equivalents	Fair value through profit or loss	222,320	222,320	255,402	255,402
Trade and other receivables	Loans and receivables	150,200	150,200	109,285	109,285
Financial liabilities					
Trade and other payables	Other financial liabilities	654,319	654,319	787,245	787,245
Payable to related parties	Other financial liabilities	44,037	44,037	19,203	19,203
Payable to former related parties	Other financial liabilities	289,750	289,750	288,256	288,256
Convertible loans payable	Other financial liabilities	1,301,744	1,301,744	1,294,398	1,294,398
Loans payable	Other financial liabilities	263,442	263,442	256,848	256,848

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy as following:

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

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

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

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as of December 31, 2016 are as follows:

	Balance at December 31, 2016	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	Total $
Assets:					
Cash and cash equivalents	222,320	222,320	-	-	222,320

Credit risk

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

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (Cont'd)

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

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure. The Company has an allowance for doubtful accounts of $10,160 as at December 31, 2016 (2015 – $10,160).

Capital market risk and liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company aims to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company faces material liquidity risk in that it has approximately $654,000 in accounts payable which are overdue at December 31, 2016, a working capital deficiency of $2,241,220 and insufficient cash on hand to satisfy its debts should they be demanded (see Note 1).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Contractual undiscounted cash flow requirements for contractual obligations as at December 31, 2016 are due as follows:

	Due in 1-3 months $	Due in 4-12 months $	Due in 1-2 years $	Due in >2 years $	Total $
Accounts payable and accrued liabilities	654,319	-	-	-	654,319
Payable to related parties	44,037	-	-	-	44,037
Payable to former related parties	289,750	-	-	-	289,750
Convertible loan payable	1,301,744	-	-	-	1,301,744
Loans payable	263,442	-	-	-	263,442
	2,553,292	**-**	**-**	**-**	**2,553,292**

Interest rate risk

The Company's loans payable bear interest at a fixed rate. The Company does not believe its overall exposure to interest rate risk is significant and a 1% change in the interest rate would have an insignificant effect on net loss and comprehensive loss.

Commodity price risk

The Company is exposed to material oil and gas commodity price risk. A relative decrease in the price of oil and gas would reduce the Company's cash flows, reduce the realizable market value of the Company's oil and gas assets, reduce the Company's economic reserves, and make it more difficult for the Company to raise the equity capital required to meet its commitments and carry out its development-stage business plans. Management has assessed that the Company's degree of exposure to commodity price risk is material, but consistent with oil and gas business operations.

12. FINANCIAL INSTRUMENTS (Cont'd)

Commodity price risk (continued)

The Company's operational results and financial position are materially impacted by global financial and commodity market volatility over which it has no control. The following sensitivity analysis is suggestive of ways in which the financial results of the Company may reasonably be expected to be directly impacted by volatility in those markets:

(i) The Company is not exposed to significant foreign currency risk on its US dollar denominated assets and financial liabilities. At December 31, 2016, the Canadian dollar cost of paying the Company's US dollar denominated liabilities and property payment commitments would increase by approximately $nil with a 1% increase in the value of the US dollar relative to the Canadian dollar.

(ii) Oil and gas revenues would not be significantly impacted by changes in oil and natural gas prices. As at December 31, 2016 for a 1% increase/decrease in the price of oil and gas, revenue would increase/decrease by approximately $38/boe per quarter based upon December 31, 2016 prices and volumes.

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

Foreign exchange risk

The Company currently generates approximately 0.3% of its gross revenue from a natural gas well in the USA with a carrying value of $1,084. Oil and gas tend to be priced in US dollars therefore a decrease in the value of the US dollar would have an immaterial impact on the results of operations.

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

The Company defines capital as shareholders' equity. As the Company's major asset class – oil and gas properties without significant production – is highly illiquid, requiring significant additional expenditures to be fully monetized, and as the Company is not yet earning net income from oil and gas operations, management of externally financed working capital is, by necessity, a major function of the Company's capital management program. The chief source of working capital is equity financing obtained through the sale of common shares and share purchase warrants, and the exercise of warrants and options. The Company from time to time receives loans from related and unrelated parties and trade credit, but such financial instruments are typically only supplementary to equity financings. In any case, the Company does not consider debt to be a sustainable source of capital, as in the absence of positive cash flows from operations; any debt obtained must be retired with funds raised through equity financing.

13. CAPITAL MANAGEMENT (Cont'd)

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

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

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