WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(IN CANADIAN DOLLARS)

(UNAUDITED)

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT

In Canadian Dollars

	Note		June 30, 2022		December 31, 2021
ASSETS					
Current					
Cash and cash equivalents		$	171,139	$	18,003
Restricted cash held in trust		$	70,000	$	70,000
Trade and other receivables			218,525		94,070
Short term investments			14,219		14,218
Prepaid expenses and deposits			135,371		56,148
			609,254		252,439
Long term					
Restricted cash held in trust			211,749		211,021
Exploration and evaluation assets			5,067		11,036
Property and equipment	3		2,431,664		2,517,378
		$	**3,257,734**	**$**	**2,991,874**
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	331,797	$	188,301
Loan payable	4		1,082,385		1,086,488
Deferred income			3,407		8,223
Asset retirement obligation	5		299,206		288,826
			1,716,795		1,571,838
Asset retirement obligation	5		1,005,814		1,038,887
Total liabilities			2,722,609		2,610,725
SHAREHOLDERS' EQUITY					
Share capital	6		134,315		134,315
Contributed surplus			559,699		559,699
Deficit			(158,889)		(312,865)
			535,125		381,149
		$	**3,257,734**	**$**	**2,991,874**
Going concern	1				

Signed "Gregory J. Leia"

Gregory J. Leia, Director

Signed "Tracy Zimmerman"

Tracy Zimmerman, Director

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

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

In Canadian Dollars **FOR THE THREE AND SIX MONTHS ENDED**

	Note	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
REVENUE					
Oil & natural gas sales	11	$ 434,905	$ 213,292	$ 727,796	$ 431,482
Royalties		(136,154)	(53,174)	(213,618)	(88,394)
Other revenue		15	3	20	14
		298,766	160,121	514,198	343,102
EXPENSES					
Production and transportation		112,891	102,902	205,309	181,940
General and administrative		101,941	57,047	178,456	128,056
Accretion	5	10,366	873	18,190	1,739
Depletion and depreciation	3	21,348	14,309	43,722	43,724
		246,546	175,131	445,677	355,459
OPERATING INCOME (LOSS) FROM OPERATIONS		52,220	(15,010)	68,521	(12,357)
Other income (expense) items					
Other income		1	-	39,286	-
Interest income		207	-	207	-
Interest expense		(16,304)	(19,396)	(32,481)	(39,295)
Gain on sale of exploration and evaluation assets		-	-	79,031	-
Foreign exchange		(1,101)	516	(588)	961
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$ 35,023	$ (33,890)	$ 153,976	$ (50,691)
INCOME (LOSS) PER SHARE					
Basic and diluted		$ 0.003	$ (0.003)	$ 0.012	$ (0.005)

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

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED

In Canadian Dollars

		Three Months Ended		Six Months Ended	
	Note	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating activities					
Net income (loss)		$ 35,023	$ (33,890)	$ 153,976	$ (50,691)
Items not affecting cash:					
Depletion and depreciation	3	21,348	14,309	43,722	43,724
Loan interest accrued		3,876	3,757	5,297	4,895
Accretion	5	10,366	873	18,190	1,739
Foreign exchange		892	(511)	381	(958)
Gain on sale of assets		-	-	(79,031)	-
Changes in non-cash working capital		(44,018)	(40,997)	(64,999)	11,755
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		27,487	(56,459)	77,536	10,464
Repayment of loan		(6,755)	(580)	(9,400)	(10,399)
CASH USED IN FINANCING ACTIVITIES		(6,755)	(580)	(9,400)	(10,399)
Purchase of exploration and evaluation assets		-	(5,969)	-	(5,969)
Proceeds on disposal of exploration and evaluation assets		-	-	85,000	-
CASH PROVIDED (USED) IN INVESTING ACTIVITIES		-	(5,969)	85,000	(5,969)
NET CHANGE IN CASH AND CASH EQUIVALENTS		20,732	(63,008)	153,136	(5,904)
CASH AND CASH EQUIVALENTS, beginning of period		150,407	103,637	18,003	46,533
CASH AND CASH EQUIVALENTS, end of period		$ 171,139	$ 40,629	$ 171,139	$ 40,629
Interest paid		$ 8,422	$ 15,638	$ 27,183	$ 34,399
Taxes paid		-	-	-	-

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

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In Canadian Dollars **FOR THE SIX MONTHS ENDED**

	Note		June 30, 2022		June 30, 2021
SHAREHOLDERS' EQUITY					
Share capital					
Balance, beginning of period		$	134,315	$	100
Private placement			-		-
Balance, end of period	6	$	134,315	$	100
Contributed surplus					
Balance, beginning of period		$	559,699	$	-
Gain on acquisition			-		559,699
Balance, end of period		$	559,699	$	559,699
Deficit					
Balance, beginning of period		$	(312,865)	$	(275,424)
Net income (loss)			153,976		(50,691)
Balance, end of period		$	(158,889)	$	(326,115)
TOTAL SHAREHOLDERS' EQUITY		**$**	**535,125**	**$**	**233,684**

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

In Canadian Dollars FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

1. NATURE OF OPERATIONS, PLAN OF ARRANGEMENT AND GOING CONCERN

Waskahigan Oil & Gas Corp. ("**WOGC"**) is in the business of exploring for, developing, and producing petroleum and natural gas properties in Western Canada. WOGC is a company domiciled in Canada. The address of WOGC's registered office is 203, 221 10th Avenue SE, Calgary, Alberta.

Until December 6, 2021, WOGC was a subsidiary of Tenth Avenue Petroleum Corp ("**TAPC**"). On January 1, 2021, the oil and gas assets of TAPC had been assigned through a Plan of Arrangement to Odaat Oil Corp. ("**Odaat**") a newly-formed, wholly owned subsidiary of WOGC. Odaat is carrying on the oil and gas business previously carried on by TAPC.

On December 6, 2021, WOGC and TAPC filed Articles of Arrangement with the Registrar of Corporations for the Province of Alberta implementing the Order of Justice D.R. Mah dated May 25, 2021 in Court of Queen's Bench of Alberta Action #2101 02284 which approved the Plan of Arrangement dated March 24, 2021 (as amended) ("**Plan of Arrangement**") amongst TAPC, WOGC, Odaat and Bloc NRG Corp (formerly 2361990 Alberta Ltd.) (""**BlocNRG**"). The implementation of the Plan of Arrangement was effective September 30, 2021. The effect of the Plan of Arrangement is to that WOGC became a standalone reporting issuer in the Provinces of Alberta and British Columbia independent of TAPC on December 6, 2021 upon filing of the Articles of Arrangement. The common shares of WOGC were listed for trading on the Canadian Securities Exchange on July 28, 2022.

Effective January 1, 2021, the oil and gas assets and liabilities of TAPC were assigned to Odaat pursuant to the Plan of Arrangement. The transfer of assets was determined to be a business combination and has been accounted for using the acquisition method. The estimated acquisition date fair value of property and equipment was derived from the estimate of proved and probable oil and gas reserves and the related cash flows prepared by independent third-party reserve evaluators. The estimated proved and probable oil and gas reserves and the related cash flows were discounted at a rate based on what a market participant would have paid as well as market metrics in the prevailing area at that time. The estimated fair values of the net assets acquired and liabilities assumed have been calculated using market participant discount rates:

Fair value of net assets acquired:	
Working capital	278,794
Restricted cash held in trust	86,254
Exploration and evaluation assets	5,067
Property and equipment	2,715,975
Asset retirement obligation	(1,374,117)
Loan payable	(1,152,174)
Total	559,799
Consideration paid:	
Promissory note	100
Gain on transaction	559,699

As the acquisition was completed between companies under common control, the gain on the transaction has been charged to contributed surplus, a separate component of equity.

The accompanying consolidated condensed financial statements have been prepared using the going concern assumption which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

For the period ended June 30, 2022, the Company generated net income of $ 153,976 (2021 – net loss of $50,691), has current liabilities in excess of current assets of $1,107,547 (2021 - $1,319,399) and an accumulated deficit of $158,889 (2021 – $312,865). The Company has relied on support from various creditors and lenders to finance its operations. The continued volatility in global commodity prices and equity markets caused in part by the COVID-19 pandemic and the war in Ukraine creates significant uncertainties which may impact the Company's future operations, revenues and its ability to access the capital necessary to execute on its business plans. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

The future operations of the Company are dependent on the continued support from its creditors and lenders and the Company's ability to raise additional capital through equity or debt financings or the sale of assets. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future.

These consolidated condensed financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not appropriate, the adjustments required to report the Company's assets and liabilities on a liquidation bases could be material to these consolidated condensed financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and measurement

Statement of compliance:

These consolidated condensed financial statements have been prepared in accordance with IAS 34 – “Interim Financial Reporting” of International Financial Reporting Standards **("IFRS")** issued by the International Accounting Standards Board **("IASB")** and International Financial Reporting Interpretations Committee **("IFRIC")**. The consolidated condensed financial statements of the Company include the accounts of WOGC and its wholly owned subsidiaries; Jadela Oil (US) Operating LLC (“**Jadela US**”), Odaat and BlocNRG. (collectively WOGC, Jadela US, Odaat and BlocNRG are referred to as **(**the **“Company")**) and have been prepared by management.

Except as outlined below, the consolidated condensed financial statements have been prepared using the same accounting policies and significant judgments, estimates, and assumptions as those used in the consolidated financial statements for the year ended December 31, 2021. These consolidated condensed financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

These consolidated condensed financial statements were authorized for issue by the Board of Directors on August 29, 2022.

Changes in accounting policies

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to lAS 37)

Effective January 1, 2022 the Company adopted the amendments to IAS 37 that specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The adoption of these amendments did not have a significant effect on the consolidated condensed financial statements.

In Canadian Dollars FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

3. PROPERTY AND EQUIPMENT

COSTS	Oil and Natural Gas Assets	Other assets	Total
Balance, December 31, 2021	**$ 2,785,353**	**$ 3,472**	**$ 2,788,825**
Asset retirement obligation revisions	(41,992)		(41,992)
Balance, June 30, 2022	**$ 2,743,361**	**$ 3,472**	**$ 2,746,833**
ACCUMULATED DEPLETION AND DEPRECIATION			
Balance, December 31, 2021	**$ 270,456**	**$ 991**	**$ 271,447**
Depletion and depreciation	43,370	352	43,722
Balance, June 30, 2022	**$ 313,826**	**$ 1,343**	**$ 315,169**
CARRYING AMOUNT			
December 31, 2021	**$ 2,514,897**	**$ 2,481**	**$ 2,517,378**
June 30, 2022	**$ 2,429,535**	**$ 2,129**	**$ 2,431,664**

4. LOAN PAYABLE

	June 30, 2022	December 31, 2021
Loan payable, beginning of period	$ 1,086,488	$ -
Acquisition	-	1,152,174
Interest accrued	5,297	-
Repayments	(9,400)	(65,686)
Loan payable, end of period	**$ 1,082,385**	**$ 1,086,488**

By novation agreement effective January 1, 2021, WOGC and Odaat agreed to assume the obligations to Smoky ("**WOGC/Odaat LPA**") under the TAPC LPA and Smoky released TAPC from the obligations upon completion of the Plan of Arrangement and in accordance with the Transition Agreement. WOGC and Odaat granted a general security agreement in favour of Smoky pledging all of the assets in support of the debt. WOGC/Odaat are not in compliance with the terms of the WOGC/Odaat LPA as general and administrative charges have exceeded the maximum allowable amounts as noted above. As of the date of approval of these consolidated financial statements, the lender has not demanded repayment but retains the right to do so.

In Canadian Dollars FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

5. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately $1,525,468 (2021 - $1,431,859). A risk-free interest rate of 3.10% (2021 - 1.25%) and an estimated inflation rate of 2.0% (2021 - 1.4%) was used to calculate the present value of asset retirement obligations.

The following table reconciles the asset retirement obligations:

		June 30, 2022		**December 31, 2021**
Balance, beginning of period	$	1,327,713	$	30,176
Acquisitions		-	$	1,374,117
Revisions		(41,992)		(82,950)
Reclamation expenditures		-		(388)
Foreign exchange		1,109		(296)
Accretion		18,190		7,054
Balance, end of period		1,305,020		1,327,713
Less: current portion		(299,206)		(288,826)
Long term portion	**$**	**1,005,814**	**$**	**1,038,887**

6. SHARE CAPITAL

Authorized:

Unlimited	Common voting shares with no par value
Unlimited	Preferred shares, issuable in series, with rights and privileges to be determined at time of issue

Issued:

Common shares	**Number of shares**		**Value**
Balance, December 31, 2020	100	$	100
Plan of arrangement	10,512,568		-
Shares returned to treasury	(100)		
Restated balance, December 31, 2020	10,512,568		100
Private placements	2,000,000		100,000
Share issued to settle accounts payable	684,300		34,215
Balance, December 31, 2021 and June 30, 2022	**13,196,868**	**$**	**134,315**

In Canadian Dollars FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

7. RELATED PARTY TRANSACTIONS

The Company has determined that the key management personnel of the Company consist of its officers and directors. The following table provides information on compensation expense related to officers and directors.

		June 30, 2022		June 30, 2021
Consulting fees to a company controlled by directors	$	107,175	$	77,103

Included in accounts payable are amounts owing to a company controlled by directors $13,871 (2021 – $221).

The Company incurred interest expense of $32,162 (2021 – $34,040) during the period ended June 30, 2022 on the loan payable. All obligations owing are secured by a general security agreement charging all of the assets of WOGC/Odaat. Gregory J. Leia is President and a director of WOGC, Odaat, Jadela US and BlocNRG and is an officer and director of Smoky Oil & Gas Corp. Gregory J. Leia owns approx. 65% of the common shares and preferred shares of Smoky.

8. PER SHARE AMOUNTS

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the period of 13,196,868 (2021 – 10,512,568).

9. 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 cash and cash equivalents, short term investments, trade and other receivables, restricted cash held in trust, accounts payable and accrued liabilities, and loan payable are recorded at amortized cost. There are no financial instruments recorded at fair value. 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.

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.

In Canadian Dollars FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

At June 30, 2022, the Company's financial instruments approximate their fair value due to their current nature.

As at June 30, 2022

Financial instrument	**Classification**	**Carrying Value ($)**	**Fair Value ($)**
Cash and cash equivalents	Amortized cost	171,139	171,139
Trade and other receivables	Amortized cost	218,525	218,525
Short term investments	Amortized cost	14,219	14,219
Prepaid expenses and deposits	Amortized cost	135,371	135,371
Restricted cash held in trust	Amortized cost	211,749	211,749
Accounts payable and accrued liabilities	Amortized cost	331,797	331,797
Loan payable	Amortized cost	1,082,385	1,082,385

Credit risk – Consists of cash and cash equivalents, restricted cash held in trust and trade and other accounts receivable. A portion of the Company's trade accounts receivable are with joint venture partners in the petroleum and natural gas industry and are subject to normal credit terms. The Company generally extends unsecured credit to these customers and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. The carrying value of accounts receivable reflects management's assessment of the associated credit risk. The Company is also exposed to credit risk on certain deposits to the extent that the Company may not be refunded these amounts. The Company does not anticipate any default or non-performance by its oil and gas sales customers. As such, a provision for doubtful accounts has not been recorded at June 30, 2022.

Liquidity risk - The Company approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its obligations when due, under normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company has, to date, required funds from private placements to finance capital expenditures and operations (see note 1).

The Company's financial liabilities and contractual obligations as at June 30, 2022 are due as follows:

Accounts payable and accrued liabilities	$	331,797	Due within 90 days
Loan payable	$	1,082,385	Due on demand

Commodity price risk - The Company is exposed to oil and gas commodity price risk and has not entered any financial derivatives to manage this risk.

	June 30, 2022		**June 30, 2021**	
Commodity price risk sensitivity	**Increase (decrease) to net income**		**Increase (decrease) to net income**	
Increase of $1.00/bbl oil	$	94	$	156
Decrease of $1.00/bbl of oil	$	(94)	$	(156)
Increase of $0.10/Mcf of natural gas	$	8,892	$	8,220
Decrease of $0.10/Mcf of natural gas	$	(8,892)	$	(8,220)

Interest rate risk – The risk that future cash flows will fluctuate as a result of changes in market rates. The Company is exposed to fair value interest rate risk on its loan payable as the rate is fixed.

In Canadian Dollars FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

10. CAPITAL DISCLOSURES

The Company' has defined its capital to mean its consolidated shareholders' equity and loan payable. The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by maintaining sufficient levels of liquidity to fund and support its exploration and development as well as other corporate activities. The Company's capital historically has been derived from the issuance of equity or debt. Management monitors its financial position on an ongoing basis. Equity or debt are issued to exploration programs and the Company's operations (see note 1).

11. REVENUE

The Company sells its oil, natural gas, and natural gas liquids production pursuant to variable price contracts. The transaction price for variable priced contracts is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenues are typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point.

The following table presents the Company's production disaggregated by revenue source:

		June 30, 2022		June 30, 2021
Crude oil	$	11,470	$	10,837
Natural gas		551,650		353,866
Condensate		164,676		66,779
Total	**$**	**727,796**	**$**	**431,482**