

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(UNAUDITED)

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Canadian Dollars

AS AT

	Note	March 31, 2023	December 31, 2022
ASSETS			
Current			
Cash and cash equivalents		\$ -	\$ 69,530
Restricted cash held in trust	3	121,950	164,629
Trade and other receivables		338,793	137,296
Restricted investments		154,322	152,694
Prepaid expenses and deposits		68,292	131,798
		683,357	655,947
Long term			
Exploration and evaluation assets		5,067	5,067
Property and equipment	4	2,243,253	2,270,141
		\$ 2,931,677	\$ 2,931,155
LIABILITIES			
Current			
Bank indebtedness		\$ 30,188	\$ -
Accounts payable and accrued liabilities		663,038	534,565
Loan payable	5	1,161,058	1,096,419
Deferred income		2,853	3,728
Asset retirement obligation	6	70,567	311,572
		1,927,704	1,946,284
Asset retirement obligation	6	930,840	811,921
Total liabilities		2,858,544	2,758,205
SHAREHOLDERS' EQUITY			
Share capital	7	134,315	134,315
Contributed surplus		559,699	559,699
Deficit		(620,881)	(521,064)
		73,133	172,950
		\$ 2,931,677	\$ 2,931,155
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 financial statements

WASKAHIGAN OIL & GAS CORP.

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

In Canadian Dollars

FOR THE THREE MONTHS ENDED

	Note	March 31, 2023	March 31, 2022
REVENUE			
Oil & natural gas sales	12	\$ 396,369	\$ 292,891
Royalties		(124,677)	(77,464)
Other revenue		-	5
		271,692	215,432
EXPENSES			
Production and transportation		249,895	92,418
General and administrative		103,734	76,515
Accretion	6	8,366	7,824
Depletion and depreciation		47,651	22,374
		409,646	199,131
OPERATING INCOME FROM OPERATIONS		(137,954)	16,301
Other income (expense) items			
Other income		55,215	39,285
Interest expense		(17,000)	(16,177)
Gain on sale of exploration and evaluation assets		-	79,031
Foreign exchange gain		(77)	513
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ (99,816)	\$ 118,953
INCOME (LOSS) PER SHARE			
Basic and diluted		\$ (0.008)	\$ 0.009

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

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Canadian Dollars

FOR THE THREE MONTHS ENDED

	Note	March 31, 2023	March 31, 2022
OPERATING ACTIVITIES			
Net income (loss)	\$	(99,816)	\$ 118,953
Items not affecting cash:			
Depletion and depreciation	4	47,651	22,374
Loan interest accrued		11,639	1,421
Accretion	6	8,366	7,824
Gain on sale of assets		-	(79,031)
Foreign exchange		-	(511)
Settlement of asset retirement obligations		(151,215)	-
Changes in non-cash working capital		30,657	(20,981)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(152,718)	50,049
FINANCING ACTIVITIES			
Proceeds from loan increase	5	53,000	-
Repayment of loan		-	(2,645)
CASH PROVIDED (USED) IN FINANCING ACTIVITIES		53,000	(2,645)
INVESTING ACTIVITIES			
Proceeds on disposal of exploration and evaluation assets		-	85,000
CASH PROVIDED BY INVESTING ACTIVITIES		-	85,000
NET CHANGE IN CASH AND CASH EQUIVALENTS		(99,718)	132,404
CASH AND CASH EQUIVALENTS, beginning of period		69,530	18,003
CASH AND CASH EQUIVALENTS, end of period	\$	(30,188)	\$ 150,407
Interest paid	\$	5,360	\$ 18,761
Taxes paid		-	-

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

WASKAHIGAN OIL & GAS CORP.

STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)

In Canadian Dollars

FOR THE THREE MONTHS ENDED

	Note	March 31, 2023		March 31, 2022
SHAREHOLDERS' EQUITY				
<u>Share capital</u>				
Balance, beginning of period		\$ 134,315	\$	134,315
Private placement		-		-
Balance, end of period	8	\$ 134,315	\$	134,315
<u>Contributed surplus</u>				
Balance, beginning of period		\$ 559,699	\$	559,699
Gain on acquisition		-		-
Balance, end of period		\$ 559,699	\$	559,699
<u>Deficit</u>				
Balance, beginning of period		\$ (521,065)	\$	(312,865)
Net income (loss)		(99,816)		118,953
Balance, end of period		\$ (620,881)	\$	(193,912)
TOTAL SHAREHOLDERS' EQUITY		\$ 73,133	\$	500,102

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

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

1. NATURE OF OPERATIONS 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.

The accompanying consolidated 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 March 31, 2023, the Company incurred a net loss of \$99,816 (2022 – net income of \$118,953), has current liabilities in excess of current assets of \$1,244,347 (2022 - \$1,290,337) and an accumulated deficit of \$620,881 (2022 – \$521,064). The Company has relied on support from various creditors and lenders (Note 6) 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 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 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 financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and measurement

Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and International Financial Reporting Interpretations Committee ("**IFRIC**"). The consolidated financial statements of the Company include the accounts of WOGC and its wholly owned subsidiaries; Jadela Oil (US) Operating LLC ("**Jadela US**"), Odaat and Fox Creek. (collectively WOGC, Jadela US, Odaat and Fox Creek are referred to as (the "**Company**") and have been prepared by management. These consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2023.

Except as outlined below, the consolidated 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, 2022. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2022.

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

Changes in accounting policies

Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

The IASB issued amendments regarding the definition of accounting estimates under IAS 8. Under the amended definition, a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendment further clarifies that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. Under the prior definition, IAS 8 stated that a change in accounting estimates specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This amendment will impact changes in accounting policies and changes in accounting estimates made after the amendment is adopted by the Company. These amendments are effective for reporting periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant effect on the financial statements.

IAS 12 Income Taxes ("IAS 12")

The IASB issued amendments to IAS 12 "Income Taxes" to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for reporting periods beginning on or after January 1, 2023. The adoption of these amendments did not have a significant effect on the financial statements.

3. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$81,950 (2022 - \$124,629) held by British Columbia Minister of Energy, Mines and Petroleum Resources and \$40,000 (2022 - \$40,000) held in trust at a related party law firm..

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

4. PROPERTY AND EQUIPMENT

COSTS	Oil and Natural Gas		Total
	Assets	Other assets	
Balance, December 31, 2022	\$ 2,615,584	\$ 3,472	\$ 2,619,056
ARO revisions	20,763	-	20,763
Balance, March 31, 2023	\$ 2,636,347	\$ 3,472	\$ 2,639,819
ACCUMULATED DEPLETION AND DEPRECIATION			
Balance, December 31, 2022	\$ 347,220	\$ 1,695	\$ 348,915
Depletion and depreciation	47,526	125	47,651
Balance, March 31, 2023	\$ 394,746	\$ 1,820	\$ 396,566
CARRYING AMOUNT			
December 31, 2022	\$ 2,268,364	\$ 1,777	\$ 2,270,141
March 31, 2022	\$ 2,241,601	\$ 1,652	\$ 2,243,253

5. LOAN PAYABLE

	March 31, 2023	December 31, 2022
Loan payable, beginning of period	\$ 1,096,419	\$ 1,086,488
Proceeds from loan	53,000	-
Interest accrued	11,639	(54,766)
Repayments	-	64,697
Loan payable, end of period	\$ 1,161,058	\$ 1,096,419

On July 31, 2017, TAPC entered into a Loan and Participation Agreement with Smoky and 1454871 Alberta Ltd. ("1454871") (formerly Batoche Oil & Gas Exploration Ltd.) which are related companies by way of common directors and officers. Pursuant to the terms of the Loan and Participation Agreement ("TAPC LPA"), Smoky lent TAPC the sum of \$1,326,593 to complete the acquisition of assets from NuVista Energy Ltd. in 2017 (the "Waskahigan Assets"). The interest rate on the loan principal is 6% per annum. All obligations owing were secured by a general security agreement charging all of the assets of TAPC. The TAPC LPA had provided, that, subject to an agreed upon general and administrative expense payment, Smoky shall be entitled to all net cash flow from the Waskahigan Assets until the loan is repaid.

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

On May 6, 2019 the TAPC LPA was amended and the loan was converted to a demand loan. As at March 31, 2023 and December 31, 2022, the loan is presented at its face value and is subject to interest at a rate of 6% per annum, which is payable quarterly. The TAPC LPA contained a restriction to charging a maximum of \$75,000 per year for general and administration costs for the administration of the Waskahigan Assets and \$75,000 per year for the administration of the Waskahigan Participation Assets. TAPC was not in compliance with the terms of the TAPC LPA as general and administrative charges have exceeded the maximum allowable amounts as noted above.

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.

Additional loan proceeds of \$53,000 were received during 2023 under the same loan terms.

6. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately \$1,001,407 (2022 - \$1,123,493). A risk-free interest rate of 3.02% (2022 – 3.41%) and an estimated inflation rate of 2.0% (2022 - 2.0%) was used to calculate the present value of asset retirement obligations.

The following table reconciles the asset retirement obligations:

	March 31, 2023	December 31, 2022
Balance, beginning of period	\$ 1,123,493	\$ 1,327,713
Revisions	20,763	(161,589)
Expenditures	(151,215)	(77,605)
Foreign exchange	-	777
Accretion	8,366	38,932
Adjustment on disposal	-	(4,735)
Balance, end of period	1,001,407	1,123,493
Less: current portion	(70,567)	(311,572)
Long term portion	\$ 930,840	\$ 811,921

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

7. 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, 2022 and March 31, 2023	13,196,868	\$ 134,315

8. 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.

	March 31, 2023	March 31, 2022
Consulting fees to a company controlled by directors	\$ 62,000	\$ 47,500

Included in accounts payable are amounts owing to companies controlled by directors \$111,076 (2022 – \$15,971).

As disclosed in Note 6, TAPC entered into a TAPC LPA with Smoky and 1454871 on July 31, 2017. Pursuant to the terms of the TAPC LPA, Smoky lent TAPC the sum of \$1,326,593 to complete the acquisition of the Waskahigan Assets. The interest rate on the loan principal is 6% per annum. On May 6, 2019, the terms of the loan were modified to include a demand feature. Pursuant to an intercreditor agreement dated effective January 1, 2021 (“**Intercreditor Agreement**”) amongst TAPC, WOGC, Odaat and Smoky, Smoky agreed to assume the debts owing by TAPC effective January 1, 2021 (referred to as the WOGC/Odaat LPA) and to release TAPC from the loans upon completion of the Plan of Arrangement. The loan value as of January 1, 2021 was \$1,152,174. The Company received additional loan proceeds of \$53,000 under the same loan terms and incurred interest expense of \$16,473 (2022 – \$14,605) during the period ended March 31, 2023 on this loan. 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 Fox Creek and is an officer and director of Smoky and 1454871. Gregory J. Leia owns approx. 65% of the common shares and preferred shares of Smoky.

9. 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 (2022 – 13,196,868).

10. 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.

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

Financial instruments, consisting of cash and cash equivalents, bank indebtedness, restricted 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.

At March 31, 2023, the Company's financial instruments approximate their fair value due to their current nature.

As at March 31, 2023

Financial instrument	Classification	Carrying Value (\$)	Fair Value (\$)
Cash and cash equivalents	Amortized cost	-	-
Trade and other receivables	Amortized cost	338,793	338,793
Restricted investments	Amortized cost	154,322	154,322
Restricted cash held in trust	Amortized cost	121,950	121,950
Bank indebtedness	Amortized cost	30,188	30,188
Accounts payable and accrued liabilities	Amortized cost	663,038	663,038
Loan payable	Amortized cost	1,161,058	1,161,058

Credit risk – Consists of cash and cash equivalents, restricted cash held in trust and accounts receivable. A portion of the Company's 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 March 31, 2023.

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).

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

The Company's financial liabilities and contractual obligations as at March 31, 2023 are due as follows:

Accounts payable and accrued liabilities	\$	663,038	Due within 90 days
Loan payable	\$	1,161,058	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.

	March 31, 2023		March 31, 2022	
Commodity price risk sensitivity	Increase (decrease) to net income		Increase (decrease) to net income	
Increase of \$1.00/bbl oil	\$	4	\$	52
Decrease of \$1.00/bbl of oil	\$	(4)	\$	(52)
Increase of \$0.10/Mcf of natural gas	\$	12,247	\$	4,473
Decrease of \$0.10/Mcf of natural gas	\$	(12,247)	\$	(4,473)

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.

11. CAPITAL DISCLOSURES

The Company' has defined its capital to mean its consolidated shareholders' equity and long-term debt. 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 debentures. Management monitors its financial position on an ongoing basis. Equity or debentures are issued to finance drilling programs and the Company's operations (see notes 1 and 2).

12. 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:

	March 31, 2023		March 31, 2022	
Crude oil	\$	404	\$	5,768
Natural gas		305,987		216,810
Condensate		89,978		70,313
Total	\$	396,369	\$	292,891

WASKAHIGAN OIL & GAS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

In Canadian Dollars

13. GOVERNMENT ASSISTANCE

In 2023, as part of the Alberta Site Rehabilitation Program (SRP), the Alberta government provided funding in the amount of \$52,088 (2022 - Nil) towards the abandonment expenditures of one of the Company's wells. The amount was recognized as Other Income in the statement of net loss.

14. SUBSEQUENT EVENT

Effective, January 1, 2023, WOGC, Fox Creek and Odaat entered into a plan of arrangement. The terms provide that upon satisfaction of all conditions, WOGC will dividend the shares of Fox Creek to the shareholders of WOGC, thereby spinning out its wholly owned subsidiary. The shareholders of WOGC approved the plan of arrangement on April 4, 2023. The Court of King's Bench of Alberta approved the plan of arrangement on April 6, 2023. The plan of arrangement is conditional upon CSE approval and completion of a reverse takeover of WOGC. WOGC has not entered into an agreement which would constitute a reverse takeover.

Fox Creek, Alberta has been subject to 2 large wildfires (#23 and #27). As of May 27, 2023, wildfire #27 had burned over 3 of Odaat's well sites and was within kilometers away from 5 more well sites. Wildfire #27 is still considered out of control as of the date of these financial statements. Odaat cannot obtain access to assess the damage. Odaat does know the infrastructure such as power lines are severely damaged. Two of the wells have been shut in prior to the fire. It is unknown when these wells can recommence production. It is unknown the damage to the gas processing plants (in particular the CNRL Waskahigan plant) and whether the plant can run on diesel generated electricity pending infrastructure reconstruction. It is too early to tell what the financial impact of the wildfires will be on the financial affairs of the Company.