WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(IN CANADIAN DOLLARS)

(UNAUDITED)

WASKAHIGAN OIL & GAS CORP.

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

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 of Waskahigan Oil & Gas Corp 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 standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Calgary, Alberta
November 28, 2023

WASKAHIGAN OIL & GAS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT

In Canadian Dollars

	Note	September 30, 2023	December 31, 2022
ASSETS			
Current			
Cash and cash equivalents		$ 17,946	$ 69,530
Restricted cash held in trust	3	$ 121,950	$ 164,629
Trade and other receivables		116,783	137,296
Restricted investments	4	157,675	152,694
Prepaid expenses and deposits		42,824	131,798
		457,178	655,947
Long term			
Exploration and evaluation assets		5,067	5,067
Property and equipment	5	2,037,712	2,270,141
		$ 2,499,957	**$ 2,931,155**
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 597,959	$ 534,565
Loan payable	6	1,159,604	1,096,419
Deferred income		1,103	3,728
Asset retirement obligation	7	70,669	311,572
		1,829,335	1,946,284
Asset retirement obligation	7	818,712	811,921
Total liabilities		2,648,047	2,758,205
SHAREHOLDERS' EQUITY			
Share capital	8	134,315	134,315
Contributed surplus		559,699	559,699
Deficit		(842,104)	(521,064)
		(148,090)	172,950
		$ 2,499,957	**$ 2,931,155**
Going concern	1		

Signed "Gregory J. Leia" ***Signed "Tracy Zimmerman"***

Gregory J. Leia, Director **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 NINE MONTHS ENDED**

			Three Months Ended				Nine Months Ended	
	Note		September 30, 2023		September 30, 2022		September 30, 2023	September 30, 2022
REVENUE								
Oil & natural gas sales	13	$	260,790	$	216,260	$	667,621	$ 944,056
Royalties			(36,601)		(78,819)		(104,258)	(292,437)
Other revenue			-		3		1	23
			224,189		137,444		563,364	651,642
EXPENSES								
Production and transportation			133,552		82,260		513,477	287,569
General and administrative			64,688		99,735		227,337	278,191
Accretion	7		9,983		10,242		27,537	28,432
Depletion and depreciation	5		52,568		18,372		121,995	62,094
			260,791		210,609		890,346	656,286
OPERATING INCOME (LOSS) FROM OPERATIONS			(36,602)		(73,165)		(326,982)	(4,644)
Other income (expense) items								
Other income			-		-		53,588	39,286
Interest income			1,708		1,222		4,981	1,429
Interest expense			(18,033)		(16,424)		(52,550)	(48,905)
Gain on sale of assets			-		449		-	79,480
Foreign exchange			-		601		(77)	13
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$	(52,927)	$	(87,317)	$	(321,040)	$ 66,659
INCOME (LOSS) PER SHARE								
Basic and diluted		$	(0.004)	$	(0.007)	$	(0.024)	$ 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 NINE MONTHS ENDED

In Canadian Dollars

	Note	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating activities					
Net income (loss)		$ (52,927)	$ (87,317)	$ (321,040)	$ 66,659
Items not affecting cash:					
Depletion and depreciation	5	52,568	18,372	121,995	62,094
Loan interest accrued		(12,096)	(2,211)	(3,315)	3,086
Accretion	7	9,983	10,242	27,537	28,432
Foreign exchange		-	(2,533)	-	(2,152)
Gain on sale of assets		-	(449)	-	(79,480)
Settlement of asset retirement obligations		-	(63,605)	(151,215)	(63,605)
Changes in non-cash working capital		(44,900)	100,550	207,954	35,551
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(47,372)	(26,951)	(118,084)	50,585
Proceeds from loan increase		11,000	-	66,500	-
Purchase of restricted long term investments		-	(151,031)	-	(151,031)
Repayment of loan		-	-	-	(9,400)
CASH USED IN FINANCING ACTIVITIES		11,000	(151,031)	66,500	(160,431)
Purchase of exploration and evaluation assets		-	-	-	-
Proceeds on disposal of assets		-	4,381	-	89,381
CASH PROVIDED (USED) IN INVESTING ACTIVITIES		-	4,381	-	89,381
NET CHANGE IN CASH AND CASH EQUIVALENTS		(36,372)	(173,601)	(51,584)	(20,465)
CASH AND CASH EQUIVALENTS, beginning of period		54,318	171,139	69,530	18,003
CASH AND CASH EQUIVALENTS, end of period		$ 17,946	$ (2,462)	$ 17,946	$ (2,462)
Interest paid		$ 31,281	$ 18,636	$ 55,865	$ 45,819
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 NINE MONTHS ENDED**

	Note		September 30, 2023		September 30, 2022
SHAREHOLDERS' EQUITY					
Share capital					
Balance, beginning of period		$	134,315	$	134,315
Private placement			-		-
Balance, end of period	8	$	134,315	$	134,315
Contributed surplus					
Balance, beginning of period		$	559,699	$	559,699
Gain on acquisition			-		-
Balance, end of period		$	559,699	$	559,699
Deficit					
Balance, beginning of period		$	(521,064)	$	(312,865)
Net income (loss)			(321,040)		66,659
Balance, end of period		$	(842,104)	$	(246,206)
TOTAL SHAREHOLDERS' EQUITY		**$**	**(148,090)**	**$**	**447,808**

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

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.

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 September 30, 2023, the Company generated a net loss of $321,040 (2022 – net income of $66,659), has current liabilities in excess of current assets of $1,372,157 (2022 - $1,312,488) and an accumulated deficit of $842,104 (2022 – $246,207). 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 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 Fox Creek Energy Ltd.(“**FCE**”) (formally BlocNRG Inc). (collectively WOGC, Jadela US, Odaat and Fox Creek 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, 2022. These consolidated condensed financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS.

These consolidated condensed financial statements were authorized for issue by the Board of Directors on November 29, 2023.

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.

4. RESTRICTED INVESTMENTS

Restricted investments are funds held in non-redeemable GIC accounts with terms of 14 months and earn 4.4% interest compounded annually. The investments are security for letters of credit in the amounts of $118,000 and $32,000 which are required by a processing plant to allow the Company to process their gas and take it in kind. The fees for the letters of credit are 2% per annum.

In Canadian Dollars FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

5. PROPERTY AND EQUIPMENT

COSTS	Oil and Natural Gas Assets	Other assets	Total
Balance, December 31, 2022	**$ 2,615,584**	**$ 3,472**	**$ 2,619,056**
Asset retirement obligation revisions	(110,434)	-	(110,434)
Balance, September 30, 2023	**$ 2,505,150**	**$ 3,472**	**$ 2,508,622**
ACCUMULATED DEPLETION AND DEPRECIATION			
Balance, December 31, 2022	**$ 347,220**	**$ 1,695**	**$ 348,915**
Depletion and depreciation	121,619	376	121,995
Balance, September 30, 2023	**$ 468,839**	**$ 2,071**	**$ 470,910**
CARRYING AMOUNT			
December 31, 2022	**$ 2,268,364**	**$ 1,777**	**$ 2,270,141**
September 30, 2023	**$ 2,036,311**	**$ 1,401**	**$ 2,037,712**

6. LOAN PAYABLE

	September 30, 2023	December 31, 2022
Loan payable, beginning of period	$ 1,096,419	$ 1,086,488
Proceeds from loan	66,500	-
Interest accrued	(3,315)	(54,766)
Repayments	-	64,697
Loan payable, end of period	**$ 1,159,604**	**$ 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.

On May 6, 2019 the TAPC LPA was amended and the loan was converted to a demand loan. As at September 30, 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

In Canadian Dollars FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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 $66,500 were received during 2023 under the same loan terms.

7. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately $1,409,128 (2022 - $1,525,443). A risk-free interest rate of 4.25% (2022 – 3.32%) 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:

		September 30, 2023		**December 31, 2022**
Balance, beginning of period	$	1,123,493	$	1,327,713
Acquisitions		-	$	-
Revisions		(110,434)		(161,589)
Reclamation expenditures		(151,215)		(77,605)
Adjustment on disposal		-		(4,735)
Foreign exchange		-		777
Accretion		27,537		38,932
Balance, end of period		889,381		1,123,493
Less: current portion		(70,669)		(311,572)
Long term portion	**$**	**818,712**	**$**	**811,921**

In Canadian Dollars FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

8. 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, 2022 and September 30, 2023	**13,196,868**	**$**	**134,315**

9. 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.

		September 30, 2023		September 30, 2022
Consulting fees to companies controlled by directors	$	85,984	$	158,650

Included in accounts payable are amounts owing to a company controlled by directors $131,575 (2022 – $54,000).

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 $66,500 under the same loan terms and incurred interest expense of $50,601 (2022 – $48,451) during the period ended September 30, 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.

10. 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).

In Canadian Dollars FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

11. 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, 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 September 30, 2023, the Company's financial instruments approximate their fair value due to their current nature.

As at September 30, 2023

Financial instrument	Classification	Carrying Value ($)	Fair Value ($)
Cash and cash equivalents	Amortized cost	17,946	17,946
Trade and other receivables	Amortized cost	116,783	116,783
Short term investments	Amortized cost	157,675	157,675
Prepaid expenses and deposits	Amortized cost	42,824	42,824
Restricted cash held in trust	Amortized cost	121,950	121,950
Accounts payable and accrued liabilities	Amortized cost	597,959	597,959
Loan payable	Amortized cost	1,159,604	1,159,604

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 September 30, 2023.

In Canadian Dollars FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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).

The Company's financial liabilities and contractual obligations as at September 30, 2023 are due as follows:

Accounts payable and accrued liabilities	$	597,959	Due within 90 days
Loan payable	$	1,159,604	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.

		September 30, 2023		September 30, 2022
Commodity price risk sensitivity		**Increase (decrease) to net income**		**Increase (decrease) to net income**
Increase of $1.00/bbl oil	$	215	$	94
Decrease of $1.00/bbl of oil	$	(215)	$	(94)
Increase of $0.10/Mcf of natural gas	$	30,229	$	12,679
Decrease of $0.10/Mcf of natural gas	$	(30,229)	$	(12,679)

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.

12. 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).

13. 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:

		September 30, 2023		September 30, 2022
Crude oil	$	21,112	$	11,470
Natural gas		452,238		702,858
Condensate		194,271		229,728
Total	**$**	**667,621**	**$**	**944,056**

14. 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.

15. PLAN OF ARRANGEMENT

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.