

# **WASKAHIGAN OIL & GAS CORP.**

## **CONSOLIDATED FINANCIAL STATEMENTS** **FOR THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022** **(IN CANADIAN DOLLARS)**

## Independent Auditor's Report

To the Shareholders of Waskahigan Oil & Gas Corp

### Opinion

We have audited the consolidated financial statements of Waskahigan Oil & Gas Corp (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended December 31, 2023 and December 31, 2022, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2023. In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Assessment of the recoverable amount of cash generating units

We draw attention to Notes 2, 3 and 8 to the consolidated financial statements. The Group assesses at each reporting date whether there is an indication that petroleum and natural gas properties within cash generating units ("CGUs") may be impaired, or that historical impairment may be reversed. If any such indication exists, then the asset's or CGUs recoverable amount is estimated. For the year ended December 31, 2023, the Group determined that the estimated recoverable amount of its CGUs exceeds the carrying value and therefore no impairment is required.

The estimated recoverable amount of the CGU involves significant estimates, including:

- The estimate of cash flows associated with the proved and probable oil and gas reserves; and
- The discount rates.

The estimate of cash flows associated with the proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices;
- Forecasted production and reserve volumes;
- Forecasted operating costs;
- Forecasted royalty costs;
- Forecasted future development costs; and
- Discount rate.

The Group engages independent third party reserve evaluators to estimate the cash flows associated with the proved and probable oil and gas reserves as at December 31, 2023.

#### **Why the Matter is a Key Audit Matter**

We identified the assessment of the recoverable amount of the CGU as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of cash flows associated with the proved and probable oil and gas reserves and the discount rates.

#### **How the Key Audit Matter was Addressed in the Audit**

The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of cash flows associated with the proved and probable oil and gas reserves as at December 31, 2023:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Group;
- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators;
- We compared the 2023 actual production, operating costs, royalty costs and development costs of the Group to those estimates used in the prior year's estimate of cash flows associated with the proved and probable oil and gas reserves to assess the Group's ability to accurately forecast;
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2023 historical results. We took into account changes in conditions and events affecting the Group to assess the adjustments or lack of adjustments made by the Group in arriving at the assumptions; and
- We benchmarked the discount rates used against comparable industry data and peer groups and assessed the appropriateness of these rates.

#### **Asset retirement obligations**

We draw attention to Notes 2, 3 and 10 to the consolidated financial statements. The Group records an asset retirement obligation for the future cost of decommissioning oil and gas wells and production facilities discounted back to present value. The calculation and recognition of the obligation in the consolidated financial statements requires a number of significant assumptions, including the selection of an appropriate discount rate and estimation of the costs and timing of decommissioning oil and gas wells and facilities.

### **Why the Matter is a Key Audit Matter**

We identified asset retirement obligations for the future cost of decommissioning oil and gas wells and facilities as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of the cost and timing associated with the decommissioning of oil and gas wells and facilities and the discount rates used in the calculation.

### **How the Key Audit Matter was Addressed in the Audit**

In responding to the key audit matter, we performed the following audit procedures:

- Identified the key assumptions and inputs used within management's calculation of asset retirement obligations and assessed the key assumptions against local market and industry trends in order to determine whether the assumptions used are reasonable and can be sufficiently supported;
- Assessed the appropriateness of the model used to calculate the provision; and
- Benchmarked the discount rate used in the calculation of asset retirement obligations against comparable market data and assessed the appropriateness of the use of the discount rate.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ashley Kidd.

*Crowe Mackay LLP*

**Chartered Professional Accountants  
Calgary, Canada  
May 1, 2024**

# WASKAHIGAN OIL & GAS CORP.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In Canadian Dollars

AS AT

	Note	December 31, 2023		December 31, 2022
<b>ASSETS</b>				
<b>Current</b>				
Cash		\$ 54,691	\$	69,530
Restricted cash held in trust	5	95,440		164,629
Restricted investments	6	-		152,694
Trade and other receivables		78,625		137,296
Prepaid expenses and deposits		53,455		131,798
		282,211		655,947
<b>Long term</b>				
Restricted investments	6	159,534		-
Exploration and evaluation assets	7	5,067		5,067
Property and equipment	8	2,189,967		2,270,141
		\$ 2,636,779	\$	2,931,155
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		\$ 501,312	\$	534,565
Loan payable	9	1,139,061		1,096,419
Deferred income		833		3,728
Asset retirement obligation	10	173,908		311,572
		1,815,114		1,946,284
Asset retirement obligation	10	843,906		811,921
<b>Total liabilities</b>		2,659,020		2,758,205
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>				
Share capital	11	134,315		134,315
Contributed surplus		603,524		559,699
Deficit		(760,080)		(521,064)
		(22,241)		172,950
		\$ 2,636,779	\$	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 financial statements

# WASKAHIGAN OIL & GAS CORP.

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

In Canadian Dollars

FOR THE YEARS ENDED

	Note		December 31, 2023		December 31, 2022
<b>REVENUE</b>					
Oil & natural gas sales	18	\$	1,033,824	\$	1,213,458
Royalties			(167,332)		(370,935)
Other revenue			2		22
			866,494		842,545
<b>EXPENSES</b>					
Production and transportation			613,993		597,472
General and administrative	12		285,951		406,065
Accretion	10		34,566		38,932
Impairment reversal of property and equipment	8		-		(329)
Depletion and depreciation	8		117,654		77,468
			1,052,164		1,119,608
<b>LOSS FROM OPERATIONS</b>			<b>(185,670)</b>		<b>(277,063)</b>
Other income (expense) items					
Interest income			6,840		3,559
Interest expense			(69,870)		(65,954)
Gain on disposal of subsidiary	4		1		-
Gain on disposal of assets	7		-		79,480
Other income	19		53,588		53,286
Foreign exchange			(80)		(1,507)
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>\$</b>	<b>(195,191)</b>	<b>\$</b>	<b>(208,199)</b>
<b>LOSS PER SHARE</b>					
<b>Basic and diluted</b>		<b>\$</b>	<b>(0.01)</b>	<b>\$</b>	<b>(0.02)</b>

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



# WASKAHIGAN OIL & GAS CORP.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

In Canadian Dollars

	Note	December 31, 2023		December 31, 2022
<b>OPERATING ACTIVITIES</b>				
Net loss		\$ (195,191)	\$	(208,199)
Items not affecting cash:				
Depletion and depreciation	8	117,654		77,468
Loan interest accrued		(19,331)		19,331
Impairment reversal of property and equipment	8	-		(329)
Accretion	10	34,566		38,932
Gain on disposal of subsidiary	4	(1)		-
Gain on disposal of assets	7	-		(79,480)
Foreign exchange		1		777
Government grants	10	(52,088)		(14,000)
Changes in restricted cash		69,189		86,392
Settlement of asset retirement obligations	10	(125,637)		(63,605)
Changes in non-cash working capital	17	100,866		267,111
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>(69,972)</b>		<b>124,398</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds received from loan		68,700		-
Repayment of loan	9	(6,727)		(9,400)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>61,973</b>		<b>(9,400)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of long term investments	6	(6,840)		(152,694)
Proceeds on disposal of assets		-		89,223
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b>(6,840)</b>		<b>(63,471)</b>
<b>NET CHANGE IN CASH</b>		<b>(14,839)</b>		<b>51,527</b>
<b>CASH, beginning of year</b>		<b>69,530</b>		<b>18,003</b>
<b>CASH, end of year</b>		<b>\$ 54,691</b>	<b>\$</b>	<b>69,530</b>
Interest paid		\$ 87,190	\$	50,091

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

# WASKAHIGAN OIL & GAS CORP.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)

In Canadian Dollars

FOR THE YEARS ENDED

<b>2023</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Equity (Deficiency)</b>
Balance, January 1, 2023	\$ 134,315	\$ 559,699	\$ (521,064)	\$ 172,950
Net loss for the year	-	-	(195,191)	(195,191)
Disposal of subsidiary (note 4)	-	43,825	(43,825)	-
<b>Balance, December 31, 2023</b>	<b>\$ 134,315</b>	<b>\$ 603,524</b>	<b>\$ (760,080)</b>	<b>\$ (22,241)</b>

<b>2022</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total Equity</b>
Balance, January 1, 2022	\$ 134,315	\$ 559,699	\$ (312,865)	\$ 381,149
Net loss for the year	-	-	(208,199)	(208,199)
<b>Balance, December 31, 2022</b>	<b>\$ 134,315</b>	<b>\$ 559,699</b>	<b>\$ (521,064)</b>	<b>\$ 172,950</b>

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

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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 year ended December 31, 2023, the Company generated net loss of \$195,191 (2022 – \$208,199), has current liabilities in excess of current assets of \$1,532,903 (2022 - \$1,290,337) and an accumulated deficit of \$760,080 (2022 – \$521,064). The Company has relied on support from various creditors and lenders (Note 9) to finance its operations. The continued volatility in global commodity prices and equity markets 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 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 basis could be material to these consolidated financial statements.

### 2. MATERIAL ACCOUNTING POLICIES

#### Basis of presentation and measurement

Statement of compliance:

These consolidated financial statements have been prepared in accordance IFRS Accounting Standards ("**IFRS**") issued by the International Accounting Standards. The consolidated financial statements of the Company include the accounts of WOGC and its wholly owned subsidiaries Jadela Oil (US) Operating LLC ("**Jadela US**"), Fox Creek Energy Ltd. ("**FCE**") and Odaat Oil Corp ("**Odaat**"), a wholly owned subsidiary of FCE (collectively WOGC, Jadela US, Odaat and FCE are referred to as (the "**Company**")) and have been prepared by management. On December 31, 2023. The Company disposed of its interest in Jadela US and removed the former subsidiary's net assets from its books as of that date (Note 4). These consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2024.

These consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, as well as the functional currency of the Company and its subsidiaries.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In Canadian Dollars

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and deposits with banks. The Company does not have any cash equivalents as at December 31, 2023 and 2022. Cash and cash equivalents that are not available for use are classified as restricted cash. When restricted cash is not expected to be used within the next twelve months, it is classified as a long-term asset.

### **Short term investments**

Short term investments consist of funds held in investment accounts that have a maturity of twelve months or less at the time of purchase.

### **Property and equipment and exploration and evaluation assets**

#### **Exploration and evaluation assets**

Costs of exploring for and evaluating oil and natural gas properties (exploration and evaluation assets or ("E&E Assets")) are capitalized within exploration and evaluation assets. These costs include lease acquisition costs, geological and geophysical expenditures, costs of drilling and completion of wells, plant and production equipment costs and related overhead charges. E&E assets do not include costs of general prospecting, or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed as incurred. Interest is not capitalized on E&E Assets.

E&E Assets are not depleted or depreciated and are carried forward until technical feasibility and commercial viability is considered to be determined. The technical feasibility and commercial viability is generally considered to be determined when proved plus probable reserves are determined to exist and the production of oil and gas has commenced. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved plus probable reserves have been discovered and production has commenced. Upon determination of proved plus probable reserves and commencement of production, E&E Assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to oil and natural gas interests, a separate category within Property and Equipment ("PP&E").

#### **Property and equipment**

PP&E is stated at cost; less accumulated depletion, depreciation and amortization, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, and costs attributable to bring the asset into operation, and the initial estimate of decommissioning obligation. Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis.

#### **Depletion and depreciation**

The net carrying value of developed and producing fields are depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Total proved plus probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrated with a 50 percent statistical probability.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In Canadian Dollars

Other property and equipment are depreciated over their estimated useful lives at the following annual rates and methods:

Other assets - Computer equipment	30%	declining balance
Other assets - Office equipment	20%	declining balance

Depreciation methods, useful lives and residual values are reviewed at least annually.

### **Impairment — Property and equipment**

For the purpose of impairment testing, PP&E are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets — cash generating units ("CGU").

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment, such as decreased commodity prices or downward revisions in reserves volumes. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of the value in use or fair value less costs to sell.

Value in use is based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of loss and comprehensive loss.

Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the assets in the unit on a pro rata basis.

Impairment losses, except those on goodwill, recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been permitted to be recognized.

### **Asset retirement obligations**

Asset retirement obligations include legal obligations to retire tangible long-lived assets such as well sites, pipelines, and production facilities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Asset retirement obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the consolidated statement of financial position date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion expense whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In Canadian Dollars

The Company's estimates of future asset retirement obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability of future site restoration costs may be subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Accordingly, the amount of the liability will be subject to re-measurement at each reporting period. Any adjustments to this liability will impact the related asset.

### Revenue recognition

Revenue from the sale of oil, natural gas and natural gas liquids ("NGLs") is recognized when performance obligations in the sales contract are satisfied and it is probable that the Company will collect the consideration to which it is entitled. Performance obligations are satisfied at the point in time when the product is delivered to a location specified in the contract and control passes to the customer. The Company assesses customer creditworthiness before entering into contracts and throughout the revenue recognition process.

Contracts for sale of the Company's oil, natural gas and NGLs products generally have terms of less than a year. These contracts specify delivery of product throughout the term of the contract. Sales of the Company's oil, natural gas, and NGLs are made pursuant to contracts based on prevailing commodity pricing at or near the time of delivery and volumes of product delivered.

Revenues are typically collected in the month following delivery and accordingly, the Company has not adjusted for the effects of a financing component.

Revenue in the consolidated statements of loss and comprehensive loss represents the Company's share of product sales and excludes amounts collected on behalf of third parties.

### Jointly owned assets

A percentage of the Company's exploration and production activities are conducted jointly with others, whereby two or more parties jointly own the assets. These consolidated financial statements reflect only the Company's share of these jointly owned assets and, once production commences, a proportionate share of the relevant revenue and related costs.

### Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Company has the legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Company initially measures all financial assets at fair value. Financial assets are subsequently classified as measured at fair value through profit and loss ("FVPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company classifies cash, trade and other receivables, restricted investments, and restricted cash held in trust as financial assets at amortized cost.

The Company classifies accounts payable and accrued liabilities, and the loan payable as financial liabilities at amortized cost.

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In Canadian Dollars

### *Impairment of Financial Assets*

The Company recognizes loss allowances for expected credit losses (“ECLs”) on its financial assets measured at amortized cost. Expected credit losses are measured as the difference between the cash flows that are due to the Company and the cash flows that the Company expects to receive, discounted at the effective interest rate determined at initial recognition. Changes in the provision for expected credit loss are recognized in net earnings.

For trade and other receivables, the Company assesses the lifetime ECL applicable to its commodity product sales receivable and joint venture receivables at initial recognition and re-assesses the provision at each reporting date. In making an assessment as to whether the Company's financial assets are credit impaired, the Company considers historical bad debts, the counterparties financial condition, credit rating and total financial exposure. The carrying amounts of receivables are reduced by the amount of the ECL through an allowance account and losses are recognized within general and administrative expense in comprehensive loss.

### **Foreign currency translation and transactions**

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Canadian parent entity and its Canadian subsidiaries is the Canadian dollar and the functional currency of the Company's US subsidiary, which operations were discontinued in 2015, is also the Canadian dollar.

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the period end exchange rate. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss.

### **Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. If a grant is received but reasonable assurance and compliance with conditions is not achieved, the grant is recognized as a deferred liability until such conditions are fulfilled. When the grant relates to an expense, it is recognized in other income in the period in which the costs are incurred. When the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and recognized in net loss in equal amounts over the expected useful life of the related asset through lower depletion, depreciation and amortization.

### **New Accounting Pronouncements**

The Company has adopted the following standards and pronouncements effective January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### *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

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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Company. The adoption of these amendments did not have a significant effect on the consolidated 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. The amendments are effective January 1, 2023 with early adoption permitted. The adoption of these amendments did not have a significant effect on the consolidated financial statements.

### *IAS 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 ("Making Materiality Judgements")*

The IASB issued amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The IASB then issued further amendments to specify that the classification of debt as current or non-current at the reporting date is not affected by covenants to be complied with after the reporting date, and added disclosure requirements about these covenants.

IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance for companies to apply materiality judgements to accounting policy disclosures. The amendments seek to provide more useful accounting policy disclosures by replacing the requirement for a company to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, as well as to add guidance on how a business applies the concept of materiality in making decisions about accounting policy disclosures. The Company will now have to consider both the size of the transactions, other events or conditions, and the nature of them. The amendments are required to be adopted retrospectively. The adoption of these amendments did not have a significant effect on the consolidated financial statements.

### **Future Accounting Standards and Pronouncements**

#### *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2024.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Financial results as determined by actual events may differ from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality.



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The significant estimates and judgments in the consolidated financial statements include:

### **Estimating oil and gas reserves**

The Company engages a qualified, independent oil and gas reserves evaluator to perform an estimation of the Company's oil and gas reserves annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets. Reserves are estimated using the reserve definitions and guidelines prescribed by National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

Proved plus probable reserves are defined as the "best estimate" of quantities of oil, natural gas and related substances estimated to be commercially recoverable from known accumulations, from a given date forward, based on drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. The estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes and reservoir performance or a change in the Company's plans with respect to future development or operating practices.

### **Determination of cash generating units**

The recoverability of development and production asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management's judgment. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of oil and gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

### **Asset retirement obligation**

The Company estimates obligations under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling of wellheads, production and transportation facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of future expenses, estimated logistics of performing abandonment work and the discount rate used to calculate the present value of future expenses would have a significant effect on the carrying amount of the decommissioning provision.

### **Recoverability of assets**

The Company assesses impairment on its assets that are subject to amortization when it has determined that a potential indicator of impairment exists. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell ("**FVLCTS**") and its value in use. The Company used the calculation of FVLCTS to determine the fair value of its CGUs. In determining the FVLCTS, the amount is most sensitive to the future commodity prices, discount rates, and estimates of proved and probable reserves, to determine an implied fair value of the CGU being tested.

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### 4. DISPOSAL OF SUBSIDIARY

Effective December 31, 2023, the Company sold all of the issued and outstanding shares of its subsidiary Jadela US to a company that is controlled by a director of the Company for total proceeds of \$1 plus any proceeds less related costs associated with any future sale of the shares of Jadela US. The Company does not expect to receive any future proceeds from this disposition. The gain on derecognition of Jadela US as a subsidiary is calculated as follows:

	<b>Total</b>	
<b>Carrying amount of former subsidiary's net assets derecognized</b>		
None	\$	-
<b>Carrying amount of net assets derecognized</b>	<b>\$</b>	<b>-</b>
Consideration paid:		
Promissory note	\$	1
<b>Gain on transaction</b>	<b>\$</b>	<b>(1)</b>

### 5. RESTRICTED CASH HELD IN TRUST

Restricted cash held in trust includes \$55,440 (2022 - \$124,629) held by British Columbia Minister of Energy, Mines and Petroleum Resources and \$40,000 (2022 - \$40,000) held in trust by at a related party law firm.

### 6. RESTRICTED INVESTMENTS

Restricted investments are funds held in a non-redeemable GIC account with a term of 13 months and earn 5.65% interest compounded annually (2022 – 14 months at 4.4% interest compounded annually). The investment is security for letters of credit in the amount of \$150,000 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. The value of the investments at year-end was \$159,534 (2022 - \$152,694).

### 7. EXPLORATION AND EVALUATION ASSETS

	<b>December 31,</b>		<b>December 31,</b>	
	<b>2023</b>		<b>2022</b>	
Balance, beginning of year	\$	5,067	\$	11,036
Disposals		-		(5,969)
<b>Balance, end of year</b>	<b>\$</b>	<b>5,067</b>	<b>\$</b>	<b>5,067</b>

During the 2022 year, the Company sold crown leases that were acquired in 2021 for proceeds of \$85,000 resulting in a gain on sale of \$79,480.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 8. PROPERTY AND EQUIPMENT

COSTS	Oil and Natural Gas		Total
	Assets	Other assets	
Balance, December 31, 2021	\$ 2,785,353	\$ 3,472	\$ 2,788,825
Disposals	(8,180)	-	(8,180)
ARO change in estimate	(161,589)	-	(161,589)
<b>Balance, December 31, 2022</b>	<b>\$ 2,615,584</b>	<b>\$ 3,472</b>	<b>\$ 2,619,056</b>
ARO change in estimate	37,480	-	37,480
<b>Balance, December 31, 2023</b>	<b>\$ 2,653,064</b>	<b>\$ 3,472</b>	<b>\$ 2,656,536</b>

### ACCUMULATED DEPLETION AND DEPRECIATION

Balance, December 31, 2021	\$ 270,456	\$ 991	\$ 271,447
Depletion and depreciation	76,764	704	77,468
<b>Balance, December 31, 2022</b>	<b>\$ 347,220</b>	<b>\$ 1,695</b>	<b>\$ 348,915</b>
Depletion and depreciation	117,153	501	117,654
<b>Balance, December 31, 2023</b>	<b>\$ 464,373</b>	<b>\$ 2,196</b>	<b>\$ 466,569</b>

### CARRYING AMOUNT

<b>December 31, 2022</b>	<b>\$ 2,268,364</b>	<b>\$ 1,777</b>	<b>\$ 2,270,141</b>
<b>December 31, 2023</b>	<b>\$ 2,188,691</b>	<b>\$ 1,276</b>	<b>\$ 2,189,967</b>

At December 31, 2023, future development costs of \$300,000 (2022 - \$398,000) associated with proved and probable reserves are included in costs subject to depletion.

### Impairment

Recoverable amounts were determined using the fair value less costs to sell method and based on internally generated cash flow projections. In determining fair value less costs to sell, the Company considered recent transactions within the industry, long-term views of oil prices, externally evaluated reserve volumes, and discount rates specific to the asset. The future cash flows were estimated as the proved plus probable reserve value for the property in each CGU discounted at rates ranging from 10% to 15% (2022 – 10% to 15%) per annum and were based on the Company's external independent engineering report.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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Revisions to asset retirement obligations have resulted in a \$Nil impairment reversal (2022 - \$329) that has been recognized in the consolidated statement of loss and comprehensive loss as these assets were impaired in prior periods.

### 9. LOAN PAYABLE

		2023		2022
Loan payable, beginning of year	\$	1,096,419	\$	1,086,487
Loan proceeds received		68,700		-
Payments of principal and interest		(93,917)		(54,765)
Interest		67,859		64,697
<b>Loan payable, end of year</b>	<b>\$</b>	<b>1,139,061</b>	<b>\$</b>	<b>1,096,419</b>

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.

Pursuant to the original TAPC LPA, as additional consideration, Smoky was entitled to receive post payout of the loan: (a) 80% of net cash flow from the Waskahigan Assets (less agreed general and administrative expenses) until December 31, 2021 (subject to farmout rights); (b) 80% of net sale proceeds of Waskahigan Assets (subject to farmout rights); (c) right to compel TAPC to buy Smoky’s right to 80% of the net cash flow from the Waskahigan Assets (subject to farmout rights) for 2.5 times net cash flow; and (d) right to compel TAPC to buy Smoky’s right to 24% of the net cash flow from the Waskahigan Participation Assets (subject to farmout rights) for 2.5 times net cash flow from the Waskahigan Participation Assets (hereinafter called the “Post Payout Additional Consideration”).

On May 6, 2019 the TAPC LPA was amended and the loan was converted to a demand loan. As at March 31, 2021 and December 31, 2020, 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. In 2023, additional proceeds were received under the same terms as the original loan.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 10. ASSET RETIREMENT OBLIGATIONS

The Company estimates the total undiscounted cash flows to settle its asset retirement obligations are approximately \$1,423,892 (2022 - \$1,409,266) which will be settled over the operating lives of the underlying assets, estimated to occur between 2024 and 2037. A risk-free interest rate of 3.17% (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:

	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 1,123,493	\$ 1,327,713
Revisions	37,480	(161,589)
Expenditures	(125,637)	(63,605)
Government grants (note 19)	(52,088)	(14,000)
Foreign exchange	-	777
Accretion	34,566	38,932
Adjustment on disposal	-	(4,735)
Balance, end of year	1,017,814	1,123,493
Less: current portion	(173,908)	(311,572)
<b>Long term portion</b>	<b>\$ 843,906</b>	<b>\$ 811,921</b>

### 11. 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:

<b>Common shares</b>	<b>Number of shares</b>	<b>Value</b>
<b>Balance, December 31, 2021, 2022 and 2023</b>	<b>13,196,868</b>	<b>134,315</b>

### 12. 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.

	<b>2023</b>	<b>2022</b>
Consulting fees to a company controlled by directors	\$ 110,708	\$ 198,250
Consulting fees to a company controlled by a director	\$ 4,600	\$ 25,560
<b>Total</b>	<b>\$ 115,308</b>	<b>\$ 223,810</b>

Included in accounts payable are amounts owing to company's controlled by directors of \$157,434 (2022 – \$68,993).

# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

In Canadian Dollars

As disclosed in Note 9, 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 Waskahigan Asset acquisition. 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 incurred interest expense of \$67,859 (2022 – \$64,697) during the year ended December 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, FCE, Smoky and 1454871. Gregory J. Leia owns approx. 65% of the common shares and preferred shares of Smoky.

The Company disposed of its subsidiary Jadela US to a related company that is controlled by a director for consideration of \$1 (note 4).

### 13. PER SHARE AMOUNTS

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the year of 13,196,868 (2022 – 13,196,868).

### 14. 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.

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

Credit risk – Associated with cash, restricted cash held in trust, restricted investments, 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 credit risk has not been recorded at December 31, 2023 (2022 - \$Nil). The maximum exposure of the Company's credit risk is the carrying value of its financial assets.

Liquidity risk - The Company's 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 lenders to finance capital expenditures and operations (see note 1).

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

Accounts payable and accrued liabilities	\$	501,312	Due within 90 days
Loan payable	\$	1,139,061	Due on demand

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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.

	2023	2022
Commodity price risk sensitivity	Increase (decrease) to net income	Increase (decrease) to net income
Increase of \$1.00/bbl oil	\$ 292	\$ 281
Decrease of \$1.00/bbl of oil	\$ (292)	\$ (281)
Increase of \$0.10/Mcf of natural gas	\$ 29,167	\$ 16,632
Decrease of \$0.10/Mcf of natural gas	\$ (29,167)	\$ (16,632)

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.

### 15. CAPITAL DISCLOSURES

The Company' has defined its capital to mean its 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 for exploration programs and the Company's operations (see note 1).

### 16. INCOME TAXES

The provision for income tax differs from the results that would be obtained by applying the combined Canadian and Provincial tax rates of approximately 23.0% (2022 – 23%). The reasons for these differences are as follows:

	2023	2022
Loss before income taxes	\$ (195,191)	\$ (208,199)
Statutory tax rate	23.00%	23.00%
Expected income tax recovery	(44,894)	(47,886)
Foreign exchange on tax losses	-	(185,108)
Other	332	(523)
Unrecognized deferred tax assets	44,562	233,517
<b>Income tax provision</b>	<b>\$ -</b>	<b>\$ -</b>

The following deferred tax assets have not been recognized in the consolidated financial statements because it is not probable that future taxable profits will be available against which they can be utilized.

The Company has Canadian non-capital loss carry forwards of approximately \$905,000 (2022 - \$544,000) that will expire between 2032 and 2043 and U.S. non-capital loss carry forwards of USD \$NIL (2022 – USD \$10,200,000).

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### 17. CHANGES IN NON-CASH WORKING CAPITAL

The breakdown of the changes in the non-cash working capital is as follows:

	<b>2023</b>	<b>2022</b>
Restricted cash held in trust	\$ -	\$ 30,000
Short-term investments	-	14,218
Trade and other receivables	58,671	(43,226)
Prepaid expenses and deposits	78,343	(75,650)
Accounts payable and accrued liabilities	(33,253)	346,264
Deferred income	(2,895)	(4,495)
<b>Total</b>	<b>\$ 100,866</b>	<b>\$ 267,111</b>

The company had the following non-cash transactions during the year:

	<b>2023</b>	<b>2022</b>
Revisions to asset retirement obligations	\$ 37,480	\$ (161,589)
Contributed surplus reclassified to deficit on disposal of subsidiary	\$ 43,825	-

### 18. 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:

	<b>2023</b>	<b>2022</b>
Crude oil	\$ 28,603	\$ 31,891
Natural gas	714,009	901,680
Condensate	291,212	279,887
<b>Total</b>	<b>\$ 1,033,824</b>	<b>\$ 1,213,458</b>



# WASKAHIGAN OIL & GAS CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 19. GOVERNMENT ASSISTANCE

In 2022, as part of the Alberta Site Rehabilitation Program (SRP), the Alberta government provided funding in the amount of \$52,088 (2022 – \$14,000) towards the abandonment expenditures of one of the Company's wells (note 10). The amount was recognized as Other Income in the consolidated statements of loss and comprehensive loss.

### 20. PLAN OF ARRANGEMENT

Effective, January 1, 2023, WOGC, FCE and Odaat entered into a plan of arrangement. The terms provide that upon satisfaction of all conditions, WOGC will dividend the shares of FCE 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.

### 21. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.