

WESCAN GOLDFIELDS INC.



Management's Discussion and Analysis March 31, 2023

May 25, 2023

MANAGEMENT’S DISCUSSION & ANALYSIS (“MD&A”)

The following discussion and analysis is prepared by Management as of May 25, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2023 (“financial statements for the quarter ended March 31, 2023”), as well as the audited consolidated financial statements and annual MD&A for the year ended December 31, 2022 available on SEDAR at www.sedar.com. Wescan Goldfields Inc. (“Wescan” or “the Company”) prepared its financial statements for the period ended March 31, 2023 in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). All currency amounts are quoted in Canadian Dollars, unless otherwise stated.

Overview

Wescan is a growth oriented mineral exploration company based in Saskatchewan. Wescan is focused on the exploration of its current portfolio of gold properties and the acquisition of new exploration targets. The Company has previously focused exploration efforts on its northern Saskatchewan properties with known gold mineralization located in the La Ronge Gold Belt. No exploration programs were carried out during the quarter ended March 31, 2023. The Company will also continue to evaluate the potential for the acquisition of other mineral properties that fit the Company’s strategic direction.

Financial Highlights

Selected financial information of the Company for the three months ended March 31, 2023 and 2022 is summarized as follows:

	Three Months Ended March 31, 2023 \$	Three Months Ended March 31, 2022 \$
Net and comprehensive loss	52,486	20,870
Net loss per share ⁽¹⁾	0.00	0.00
Total assets	163,474	328,653
Working capital	142,251	307,620

(1) Basic and diluted.

Results of Operations

For the quarter ended March 31, 2023 the Company recorded a net loss of \$52,486 (\$0.00 per share) compared to a net loss of \$20,870 (\$0.00 per share) for the same period in 2022.

Expenses

Total operating expenses for the quarter ended March 31, 2023 were \$52,486 compared to \$20,912 for the same period of 2022. Specifically the changes are as follows:

- Costs in the administration category increased \$10,880 to \$28,865 which relates to an increase in business activities and a change in cost sharing.



- Corporate development costs increased \$20,038 to \$22,965 which relates to corporate development wages and increased travel.

The Company is assessing future options for its portfolio of gold properties and as such no exploration and evaluation programs were carried out during the quarters ended March 31, 2023 and 2022.

Financing

During the quarter ended March 31, 2023, no financing activities occurred. During the same period for 2022, the Company completed a private placement whereby an aggregate of 5,000,000 Units were issued for proceeds of \$350,000 (see News Releases dated February 25, 2022 and March 8, 2022). Each Unit was comprised of one common share and one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.10, for a period of twelve months from the closing of the private placement. The warrants expired unexercised.

Summary of Quarterly Results

	2023	2022				2021		
	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$
Net loss ⁽¹⁾	52,486	26,871	40,617	45,696	20,870	14,471	10,237	91,185
Net loss/share ⁽²⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shares outstanding ⁽³⁾	50,084,320	50,084,320	50,084,320	50,084,320	50,084,320	45,084,320	45,084,320	45,084,320

(1) Net losses for the quarters reflects normal operations of the Company.

(2) Basic and diluted.

(3) During the quarter ended March 31, 2022, the Company completed a private placement of 5,000,000 Units. Each Unit was comprised of one common share and one warrant.

Related Party Transactions

During the quarters ended March 31, 2023 and 2022 Mr. Kenneth E. MacNeill (Chief Executive Officer) through his consulting company, waived his management fees.

Total compensation paid to key management personnel, including amounts paid or payable to related parties owned by key management personnel, executive officers and directors, was \$12,482 (2022 - \$0).

Liquidity

The Company currently has no ongoing source of revenue and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and to advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.



As at March 31, 2023, the Company had working capital of \$142,251 compared to a working capital of \$194,670 at December 31, 2022. Included in working capital at March 31, 2023 are payables and accrued liabilities of \$20,038 (December 31, 2022 - \$25,306).

Capital Resources and Outstanding Share Data

As at March 31, 2023, the Company had 50,084,320 common shares issued and outstanding, and 3,120,000 options (weighted average exercise price of \$0.06). In March 5,000,000 warrants expired unexercised. As at May 26, 2022, the Company's outstanding common shares and warrants remained unchanged from March 31, 2022. The Company's outstanding options decreased to 3,120,000 (weighted average exercise price of \$0.06) due to the expiry of 1,070,000 options.

Financial Instruments

As at March 31, 2023, the fair value of all of the Company's financial instruments approximates their carrying value. Certain financial instruments are exposed to the following financial risks:

Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that may have credit risk consist primarily of cash and cash equivalents and receivables. The Company's cash and cash equivalents are held by financial institutions with an A (low) credit rating. The Company may invest excess cash, if any, in guaranteed investment certificates until it is required. The Company's receivables are mainly comprised of GST receivable and therefore credit risk is minimal. The Company has gross credit exposure at March 31, 2023 relating to cash and cash equivalents and receivables of \$159,416 (December 31, 2022 - \$219,144).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due.

As at March 31, 2023, the Company is committed to current liabilities of \$20,038 (December 31, 2022 - \$25,306) with working capital of \$142,251 (December 31, 2022 working capital - \$194,670). As at March 31, 2023, all of the Company's mineral property claims were in good standing. The Company has assessed that the existing working capital is sufficient to fund the minimum expenditures that the Company must incur to sustain its operations through 2023.

The further exploration, evaluation and/or development of exploration and evaluation properties in which the Company holds interests or which the Company acquires may depend upon the Company's ability to obtain financing through equity issues or other forms of financing. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in



the future or that the terms of such financing will be favorable. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration plans, forfeit rights in its properties or reduce or terminate its operations.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, commodity price risk, interest rate risk and equity risk. The Company currently does not have significant exposure to any market risks.

Accounting Changes

a. IFRS standards, amendments and interpretations effective during the period

At the date of authorization of these condensed consolidated financial statements, the IASB has not issued any new standards which became effective for the reporting period that would have a material impact on the Company.

b. IFRS standards issued but not yet effective

IAS 1 – Disclosure of Accounting Policies

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their “material” accounting policy information rather than their “significant” accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make based on those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

IAS 8 Definition of Accounting Estimates

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error

correction. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

IAS 1 Classification of Liabilities as Current or Non-Current

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Outlook

The Company has focused exploration efforts on its northern Saskatchewan properties with known gold mineralization located in the La Ronge Gold Belt. The Company is assessing future options for the Company's Jojay, Munro Lake and Jasper gold properties. The Company will also continue to evaluate the potential for the acquisition of other mineral properties that fit the Company's strategic direction.

Risks and Uncertainties

The Company attempts to mitigate risks by identifying, assessing, reporting and managing risks of significance. The following are risks relating to the business of the Company. This information is only a summary of risks currently facing the Company based on its stage of development. Additional risks and uncertainties not presently known may also impact the Company's operations. Management's view on risks facing the Company will evolve as the Company's stage of development progresses.

The principal risks faced by the Company during the exploration stage involve: Wescan's ability to obtain financing to further the exploration and development of exploration and evaluation properties in which Wescan holds interests; obtaining the required permits from various federal, provincial and local governmental authorities; and the ultimate economic feasibility of any future development projects.

The further development and exploration of exploration and evaluation properties in which Wescan holds interests or which Wescan acquires may depend upon Wescan's ability to obtain financing through equity financing, debt financing or other means. The Company does not have sufficient funds to put any of its property interests into production from its own financial resources. There is no assurance that Wescan will be successful in obtaining required financing as and when needed. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties



or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Wescan's future cash flows, earnings, results of operations and financial condition. The relative prices of applicable commodities and future expectations for such prices have a significant impact on the market sentiment for investment in mining and exploration companies.

The future operations of the Company, including exploration activities and potential development of its properties, require permits from various federal, provincial and local governmental authorities. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations. The Company utilizes qualified individuals, service providers and external consultants and maintains communications with governmental authorities to ensure that the Company is in compliance with all applicable rules and regulations.

All of Wescan's exploration and evaluation property interests are currently in the exploration stage and are without a known body of commercial ore. The exploration, development and production of precious metals are capital-intensive, subject to the normal risks and capital expenditure requirements associated with mining operations. While the rewards can be substantial if commercial quantities of precious metals are found, there can be no assurance that Wescan's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable. To ensure that exploration procedures are being performed effectively and those results are interpreted and reported in a proper manner, management ensures that qualified individuals, service providers and external consultants are utilized in the verification and quality assurance of analytical results.

Technical Information

All technical information in this report has been prepared under the supervision of Mark Shimell, P.Geol, Vice President of Exploration, Professional Geoscientist in the Province of Saskatchewan, and is the Company's "Qualified Person" under the definition of National Instrument 43-101.

Caution Regarding Forward-looking Information

This MD&A contains forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of Canadian Securities legislation and the United States Private Securities Litigation Reform Act of 1995. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements, and, in particular, statements regarding Wescan's future operations, future exploration and development activities or other development plans contain forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, the ability to raise funds to meet commitments and pursue exploration activities, the use of such funds, future plans for the Jojay, Jasper and Munro Lake properties and the acquisition and exploration of additional properties.

These forward-looking statements are based on Wescan's current beliefs as well as assumptions made by and information currently available to it and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but



not limited to, developments in world gold markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of Wescan, the effects of competition in the markets in which Wescan operates, impact to the markets in which Wescan operates and to the Company's activities due to the continued spread of COVID-19, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings and operational risks and the additional risks described in Wescan's most recently filed annual and interim MD&A, news releases and technical reports. Wescan's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although management considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to Wescan, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless required by applicable securities law, Wescan does not undertake to update any forward-looking statement that may be made.

Further information relating to the Company has been filed on SEDAR and may be viewed at www.sedar.com.



WESCAN GOLDFIELDS INC.



**Unaudited Condensed Interim
Consolidated Financial Statements
March 31, 2023**

WESCAN GOLDFIELDS INC.
Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended
March 31, 2023

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Wescan Goldfields Inc. for the three months ended March 31, 2023 (along with the comparative interim period in 2022). The Company's external auditors have not reviewed these statements.

Wescan Goldfields Inc.
Consolidated Statements of Financial Position
(unaudited)

	(In Canadian dollars)	
	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash	\$ 157,672	\$ 218,744
Receivables	1,744	400
Prepays	2,873	832
	162,289	219,976
Property and equipment	1,185	1,252
	\$ 163,474	\$ 221,228
Liabilities and Shareholders' Equity		
Current liabilities:		
Payables and accrued liabilities	\$ 20,038	\$ 25,306
	20,038	25,306
Environmental rehabilitation provision	75,520	75,520
Shareholders' equity (deficiency):		
Share capital (note 8)	20,810,540	20,810,540
Warrants (note 8)	223,131	223,131
Contributed surplus (note 8)	2,594,165	2,594,165
Deficit	(23,559,920)	(23,507,434)
	67,916	120,402
	\$ 163,474	\$ 221,228

Going concern (note 3)

On behalf of the Board:

"Kenneth E. MacNeill"

Kenneth E. MacNeill
Chairman and Chief Executive Officer

"Gary L. Billingsley"

Gary L. Billingsley
Chairman of the Audit Committee

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(unaudited)

	(In Canadian dollars)	
	Three months Ended	
	March 31,	
	2023	2022
Income		
Interest and other	\$ -	\$ 42
Expenses		
Exploration and evaluation (note 7)	656	-
Administration	28,865	17,985
Corporate development	22,965	2,927
	52,486	20,912
Net loss and comprehensive loss	\$ (52,486)	\$ (20,870)
Net loss and comprehensive loss per share		
Basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	50,084,320	46,796,510

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Condensed Interim Consolidated Statements of Cash Flows
(unaudited)

(In Canadian dollars)
Three Months Ended
March 31,

	2023	2022
Cash provided by (used in):		
Operations:		
Net loss	\$ (52,486)	\$ (20,870)
Non-cash items:		
Amortization	67	78
Net change in non-cash operating working capital items:		
Receivables	(1,346)	(1,034)
Prepays	(2,041)	(5,257)
Payables and accrued liabilities	(5,266)	(2,775)
	(61,072)	(29,858)
Financing:		
Issuance of equity (net of issue costs)	-	345,877
	-	345,877
Increase (decrease) in cash position	(61,072)	316,019
Cash, beginning of period	218,744	3,364
Cash, end of period	\$ 157,672	\$ 319,383

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited)

(In Canadian dollars)

	Three Months Ended		Year Ended
	March 31,		December 31,
	2023	2022	2022
Share capital (note 8)			
Balance, beginning of period	\$ 20,810,540	\$ 20,687,794	\$ 20,687,794
Shares issued (net of costs and warrants)	-	159,191	122,746
Balance, end of period	<u>\$ 20,810,540</u>	<u>\$ 20,846,985</u>	<u>\$ 20,810,540</u>
Warrants (note 8)			
Balance, beginning of period	\$ 223,131	\$ -	\$ -
Issued	-	186,686	223,131
Balance, end of period	<u>\$ 223,131</u>	<u>\$ 186,686</u>	<u>\$ 223,131</u>
Contributed surplus (note 8)			
Balance, beginning of period	\$ 2,594,165	\$ 2,594,165	\$ 2,594,165
Share-based payments	-	-	-
Balance, end of period	<u>\$ 2,594,165</u>	<u>\$ 2,594,165</u>	<u>\$ 2,594,165</u>
Deficit			
Balance, beginning of period	\$ (23,507,434)	\$ (23,373,379)	\$ (23,373,379)
Net loss	(52,486)	(20,870)	(134,055)
Balance, end of period	<u>\$ (23,559,920)</u>	<u>\$ (23,394,249)</u>	<u>\$ (23,507,434)</u>
Total Shareholders' Equity (Deficiency)	<u>\$ 67,916</u>	<u>\$ 233,587</u>	<u>\$ 120,402</u>

See accompanying notes to consolidated financial statements

WESCAN GOLDFIELDS INC.

Notes to the Consolidated Interim Financial Statements

For the three months ended March 31, 2023

(In Canadian dollars except as otherwise noted)

1. Corporate Information

Wescan Goldfields Inc. was originally incorporated as Shore Resources Inc. under the *Business Corporations Act of Alberta* on January 17, 2003 and by amended articles dated April 2, 2004 changed its name to Wescan Goldfields Inc. (“Wescan” or the “Company”). Substantially all of the Company’s efforts are directed to the exploration and future development of its current exploration properties. Wescan is located at 602 – 224 4th Avenue South, Saskatoon, Saskatchewan, Canada, S7K 5M5.

2. Basis of preparation

The condensed interim consolidated financial statements of the Company for the three months ended March 31, 2023 were authorized for issue by the Company’s Audit Committee on, May 25, 2023. These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The Company’s financial statements have been prepared on a historical cost basis, except as disclosed, using the Company’s functional currency of Canadian dollars.

3. Going Concern

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company’s ability to continue as a going concern. As at March 31, 2023, the Company had a working capital of \$142,251. The company is committed to expenditures in 2023 on certain mineral properties to keep claims in good standing. While the Company believes working capital (current assets less current liabilities) will be sufficient to finance operating activities through its 2023 fiscal year, the ability of the Company to continue as a going concern and fund exploration and general and administrative expenses in an orderly manner will require further equity issues or other forms of financings. There is no assurance that the Company will be successful in obtaining required financing on terms acceptable to the Company as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration and/or evaluation plans, forfeit rights in its properties or reduce or terminate its operations.

These financial statements do not include any adjustments to carrying values and classification of asset amounts and liabilities, reported expenses and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate.

4. Summary of significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those disclosed in Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2022. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

5. Use of estimates and judgment

In preparing these condensed interim consolidated financial statements, the significant judgments made by management applying the Company’s accounting policies and the key sources of estimation uncertainty are the same as those disclosed in note 5 of the Company’s consolidated financial statements for the year ended December 31, 2022. In particular, the significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are: reserve and resource estimation, environmental rehabilitation provisions, and share-based payment transactions.

6. IFRS standards, amendments and interpretations

a. IFRS standards, amendments and interpretations effective during the period

At the date of authorization of these condensed consolidated financial statements, the IASB has not issued any new standards which became effective for the reporting period that would have a material impact on the Company.

b. IFRS standards issued but not yet effective

IAS 1 – Disclosure of Accounting Policies

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their “material” accounting policy information rather than their “significant” accounting policies. The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make based on those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

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IAS 1 Classification of Liabilities as Current or Non-Current

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

7. Exploration and evaluation assets

The Company is assessing options for future work on its portfolio of gold properties. During the three months ended March 31, 2023, the Company incurred \$656 of exploration and evaluation expenditures (2022 - \$nil).

8. Share capital and reserves

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

Common shares issued and fully paid:

	Common Shares	Amount
Balance – December 31, 2021	45,084,320	\$ 20,687,794
Issuance of shares (net of issue costs and warrants) (a)	5,000,000	159,191
Balance – December 31, 2022 and March 31, 2023	50,084,320	\$ 20,846,985

(a) Unit Financing

During 2022, the Company issued 5,000,000 Units at a price of \$0.07 for total gross proceeds of \$350,000. Each Unit was comprised of one common share and one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.10, for a period of twelve months from the closing date of the private placement. Costs associated with the issuance amounted to \$4,123.

(b) Nature and purpose of reserves

Warrant reserve

On certain issues of common shares, the Company has issued warrants entitling the holder to acquire additional common shares of the Company. The warrant reserve is used to recognize the fair value of outstanding warrants. If the warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively.

A summary of the outstanding warrants is as follows:

	Warrants	Average Price	Amount
Balance - December 31, 2021	-	\$ -	\$ -
Issued	5,000,000	0.10	223,131
Balance - December 31, 2022	5,000,000	\$ 0.10	\$ 223,131
Expired	5,000,000	\$ 0.10	\$ 223,131
Balance – March 31, 2023	0	Nil	Nil

During 2022, 5,000,000 warrants were issued in connection to a share financing. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.10 for a period of 12 months from the date of issuance. The warrants issued were fair valued at \$223,131. The fair value was determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 137.46% - 140.97%, risk free rate of return of 1.41%-1.45%, expected dividend of 0% and expected term of 1 year. Warrants expired unexercised.

(c) Contributed Surplus

Contributed surplus is used to recognize the fair value of equity-settled share-based payment transactions. The fair value of these securities is added to contributed surplus over the vesting period of the securities. Upon exercise, the corresponding fair value related to the security is removed from contributed surplus and added to share capital. Should the option go unexercised, the fair value will remain in contributed surplus. The fair value of warrants related to securities that go unexercised is transferred out of the respective reserves into contributed surplus in the year of expiry.

9. Share-based payments

The Company has established a share option plan, as approved by the shareholders, whereby each option may be granted to directors, officers, employees and service providers to purchase one common share of the Company. Options granted have an exercise price of not less than the closing price quoted on the TSX Venture exchange for the common shares of the Company on the trading day prior to the date on which the options were granted. Certain options vest immediately while others vest six to twenty-four months after grant date and all options granted under the plan expire five years from the date of the grant of the options. All options are to be settled by physical delivery of shares.

At March 31, 2023, total options outstanding were 3,120,000 (2022 – 4,190,000) at a weighted average exercise price of \$0.06 (2022 – \$0.06). Options outstanding at March 31, 2023 have exercise prices that range from \$0.05 to \$0.08 (2022 – \$0.05 to \$0.08) and a weighted average contractual life of 0.13 years (2022 – 0.4 years).

10. Related party transactions

Related party transactions with key management personnel

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. The Company pays certain of its key management personnel through MacNeill Brothers Oil and Gas Ltd, a company owned by certain executive officers and directors.

During the three months ended March 31, 2022, key management personnel waived their management and consulting fees. Total compensation paid to key management personnel, including amounts paid or payable to related parties owned by key management personnel, executive officers and directors, was \$12,482 (2022 - \$nil).

11. Financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy for financial instruments that require fair value measurement after initial recognition. The classification of each financial instrument is described in note 4.

The carrying amounts for cash and cash equivalents, receivables, and payables and accrued liabilities approximate their fair value due to the short-term nature of these instruments. These financial instruments are carried at amortized cost.

Fair value hierarchy

The Company does not have any financial instruments measured at fair value. If the Company acquires a financial instrument that would be required to be measured at fair value it would be categorized into one of three hierarchy levels as described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Risk management

Certain financial instruments are exposed to the following financial risks:

(a) Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that may have credit risk consist primarily of cash and cash equivalents and receivables. The Company's cash and cash equivalents are held by financial institutions with an A (low) credit rating. The Company may invest excess cash, if any, in guaranteed investment certificates until it is required. The Company's receivables are mainly comprised of GST receivable and therefore credit risk is minimal. The Company has gross credit exposure at March 31, 2023 relating to cash and cash equivalents and receivables of \$159,416 (December 31, 2022 - \$219,144).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

As at March 31, 2023, the Company is committed to current liabilities of \$20,038 (December 31, 2022 - \$25,306) with a working capital of \$142,251 (December 31, 2022 – working capital of \$194,670). As at March 31, 2023, the Company has sufficient resources to meet obligations as they become due through 2023. The further exploration, evaluation and/or development of exploration and evaluation properties in which the Company holds interests or which the Company acquires may depend upon the Company's ability to obtain financing through equity issues or other forms of financing. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration plans, forfeit rights in its properties or reduce or terminate its operations.

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, commodity price risk, interest rate risk and equity risk.

Foreign currency risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuations since it is currently not producing.

Commodity price risk:

Commodity price risk is the risk that a variation in commodity price will affect the Company's operations and financial results. The Company does not have significant exposure to commodity price fluctuations since it is currently not producing.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity risk:

The Company does not have any equity investments and is not exposed to equity risk.