

# Westgate Energy Inc.

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

As at September 30, 2024 and December 31, 2023  
and  
for the three and nine months ended September 30, 2024 and 2023

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# Westgate Energy Inc.

## Interim Condensed Consolidated Statements of Financial Position

| <i>(Canadian dollars)</i>                         | Note | As at<br>September 30,<br>2024 | As at<br>December 31,<br>2023 |
|---|------|--------------------------------|-------------------------------|
| <b>Assets</b>                                     |      | <b>(Unaudited)</b>             | <b>(Audited)</b>              |
| <b>Current assets</b>                             |      |                                |                               |
| Cash  | 4    | 2,729,012                      | 3,675,427                     |
| Accounts receivable                               | 4    | 560,306                        | 378,532                       |
| Secured note receivable                           | 4,5  | 340,000                        | -                             |
| Deposits and prepaid expenses                     |      | 103,417                        | 51,110                        |
| Inventory   |      | 57,506                         | 43,698                        |
| Investments                                       | 4    | 60,000                         | -                             |
|   |      | <b>3,850,241</b>               | <b>4,148,767</b>              |
| <b>Non-current assets</b>                         |      |                                |                               |
| Restricted cash equivalent                        | 4,8  | 499,950                        | -                             |
| Exploration and evaluation                        | 6    | 270,080                        | 20,000                        |
| Property and equipment                            | 7    | 10,416,040                     | 6,593,814                     |
| <b>Total assets</b>                               |      | <b>15,036,311</b>              | <b>10,762,581</b>             |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |      |                                |                               |
| <b>Current liabilities</b>                        |      |                                |                               |
| Accounts payable and accrued liabilities          | 4    | 727,606                        | 1,685,769                     |
| Other liabilities                                 | 10   | 25,520                         | -                             |
|   |      | <b>753,126</b>                 | <b>1,685,769</b>              |
| <b>Non-current liabilities</b>                    |      |                                |                               |
| Other liabilities                                 | 10   | 14,895                         | -                             |
| Decommissioning obligations                       | 8    | 3,090,529                      | 2,841,307                     |
| <b>Total liabilities</b>                          |      | <b>3,858,550</b>               | <b>4,527,076</b>              |
| <b>Shareholders' equity</b>                       |      |                                |                               |
| Share capital                                     | 9    | 14,430,477                     | 7,974,208                     |
| Warrants  | 9    | 995,342                        | -                             |
| Contributed surplus                               | 10   | 41,863                         | -                             |
| Accumulated deficit                               |      | (4,289,921)                    | (1,738,703)                   |
| <b>Total shareholders' equity</b>                 |      | <b>11,177,761</b>              | <b>6,235,505</b>              |
| <b>Total liabilities and shareholders' equity</b> |      | <b>15,036,311</b>              | <b>10,762,581</b>             |

Subsequent events (Note 17)

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

Approved on behalf of the Board of Directors:

[signed] "Dan Brown"

\_\_\_\_\_  
Dan Brown, Director

[signed] "Artan Agolli "

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Artan Agolli, Director

## Westgate Energy Inc.

### Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

| <i>(Canadian dollars)</i>                         | Note | Three Months<br>Ended<br>September<br>30, 2024 | Three Months<br>Ended<br>September 30,<br>2023 | Nine Months<br>Ended<br>September<br>30, 2024 | Nine Months<br>Ended<br>September 30,<br>2023 |
|---|------|--|--|---|---|
|   |      | <i>(Unaudited)</i>                             | <i>(Unaudited)</i>                             | <i>(Unaudited)</i>                            | <i>(Unaudited)</i>                            |
| <b>Revenues</b>                                   |      |  |  |   |   |
| Petroleum and natural gas sales                   | 12   | 794,402  | 460,281  | 2,316,347                                     | 807,164                                       |
| Royalties   | 12   | (98,551)                                       | (60,554)                                       | (257,465)                                     | (109,261)                                     |
| Petroleum and natural gas sales, net of royalties |      | 695,851  | 399,727  | 2,058,882                                     | 697,903                                       |
| Processing revenue                                |      | 3,783  | -  | 7,936   | -   |
| <b>Total revenue, net of royalties</b>            |      | <b>699,634</b>                                 | <b>399,727</b>                                 | <b>2,066,818</b>                              | <b>697,903</b>                                |
| <b>Expenses and other income</b>                  |      |  |  |   |   |
| Operating   |      | 363,264  | 281,235  | 1,065,091                                     | 536,842                                       |
| General and administrative                        |      | 494,052  | 444,058  | 1,569,648                                     | 1,024,459                                     |
| Listing expenses                                  | 5    | -  | -  | 1,341,624                                     | -   |
| Stock-based compensation                          | 10   | 82,278   | -  | 82,278  | -   |
| Depletion and depreciation                        | 7    | 268,960  | 127,148  | 726,598                                       | 202,770                                       |
| Finance expense                                   | 13   | 23,855   | 231,669  | 69,156  | 243,815                                       |
| Gain on settlement of accounts payable            | 9    | -  | -  | (97,705)                                      | -   |
| Change in fair value of investments and note      | 4    | 14,400   | -  | 14,400  | -   |
| Interest income                                   |      | (59,721)                                       | (61,819)                                       | (153,054)                                     | (103,947)                                     |
| <b>Total expenses and other income</b>            |      | <b>1,187,088</b>                               | <b>1,022,291</b>                               | <b>4,618,036</b>                              | <b>1,903,939</b>                              |
| <b>Loss and comprehensive loss</b>                |      | <b>(487,454)</b>                               | <b>(622,564)</b>                               | <b>(2,551,218)</b>                            | <b>(1,206,036)</b>                            |
| <b>Loss per common share</b>                      |      |  |  |   |   |
| Basic and diluted                                 | 11   | (0.01)   | (0.03)   | (0.06)  | (0.05)  |

See accompanying notes to the interim condensed consolidated financial statements.

## Westgate Energy Inc.

### Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

| (Canadian dollars)                      | Note | Nine months ended September 30, |                  |
|---|------|---------------------------------|------------------|
|   |      | 2024                            | 2023             |
|   |      | (Unaudited)                     | (Unaudited)      |
| <b>Share capital</b>                    |      |                                 |                  |
| Balance, beginning of period            |      | 7,974,208                       | 1,000            |
| Issuance of common shares               | 9    | 6,910,205                       | 6,320,000        |
| Share issue costs                       | 9    | (453,936)                       | (336,982)        |
| Balance, end of period                  |      | 14,430,477                      | 5,984,018        |
| <b>Warrants</b>                         |      |                                 |                  |
| Balance, beginning of period            |      | -                               | -                |
| Issuance of warrants                    | 9    | 1,075,814                       | -                |
| Warrant issue costs                     | 9    | (80,472)                        | -                |
| Balance, end of period                  |      | 995,342                         | -                |
| <b>Contributed surplus</b>              |      |                                 |                  |
| Balance, beginning of period            |      | -                               | -                |
| Stock-based compensation – equity-based | 10   | 41,863                          | -                |
| Balance, end of period                  |      | 41,863                          | -                |
| <b>Accumulated deficit</b>              |      |                                 |                  |
| Balance, beginning of period            |      | (1,738,703)                     | (16,575)         |
| Loss and comprehensive loss             |      | (2,551,218)                     | (1,206,036)      |
| Balance, end of period                  |      | (4,289,921)                     | (1,222,611)      |
| <b>Total shareholders' equity</b>       |      | <b>11,177,761</b>               | <b>4,761,407</b> |

See accompanying notes to the interim condensed consolidated financial statements.

# Westgate Energy Inc.

## Interim Condensed Consolidated Statements of Cash Flows

| <i>(Canadian dollars)</i>                             | Note | Three Months<br>Ended<br>September 30,<br>2024 | Three Months<br>Ended<br>September 30,<br>2023 | Nine Months<br>Ended<br>September 30,<br>2024 | Nine Months<br>Ended<br>September 30,<br>2023 |
|---|------|--|--|---|---|
|   |      | <i>(Unaudited)</i>                             | <i>(Unaudited)</i>                             | <i>(Unaudited)</i>                            | <i>(Unaudited)</i>                            |
| <b>Operating activities</b>                           |      |  |  |   |   |
| Loss and comprehensive loss                           |      | <b>(487,454)</b>                               | (622,564)                                      | <b>(2,551,218)</b>                            | (1,206,036)                                   |
| Items not affecting cash:                             |      |  |  |   |   |
| Depletion and depreciation                            | 7    | <b>268,960</b>                                 | 127,148  | <b>726,598</b>                                | 202,770                                       |
| Accretion of decommissioning obligations              | 8    | <b>23,855</b>                                  | 22,629   | <b>69,156</b>                                 | 34,775  |
| Listing expense                                       | 5    | -  | -  | <b>611,023</b>                                | -   |
| Stock-based compensation - equity-based               | 10   | <b>41,863</b>                                  | -  | <b>41,863</b>                                 | -   |
| Gain on settlement of accounts payable                | 9    | -  | -  | <b>(97,705)</b>                               | -   |
| Unwinding of debt discount                            | 13   | -  | 39,195   | -   | 39,195  |
| Debt issues costs                                     | 13   | -  | 169,845  | -   | 169,845                                       |
| Settlements of decommissioning provisions             | 8    | <b>(3,029)</b>                                 | -  | <b>(35,346)</b>                               | -   |
| Net change in non-cash working capital                | 16   | <b>(544,611)</b>                               | 245,012  | <b>(214,004)</b>                              | 241,290                                       |
| Cash flows used in operating activities               |      | <b>(700,416)</b>                               | (18,735)                                       | <b>(1,449,633)</b>                            | (518,161)                                     |
| <b>Financing activities</b>                           |      |  |  |   |   |
| Issuance of units                                     | 9    | -  | -  | <b>7,035,090</b>                              | 6,320,000                                     |
| Unit issue costs                                      | 9    | <b>(14,272)</b>                                | -  | <b>(517,939)</b>                              | (336,982)                                     |
| Promissory notes                                      |      | -  | 1,950,000                                      | -   | 1,950,000                                     |
| Debt issue cost                                       |      | -  | (169,845)                                      | -   | (169,845)                                     |
| Cash acquired on RTO                                  | 5    | -  | -  | <b>324,476</b>                                | -   |
| Repayment of shareholder loan                         |      | -  | -  | -   | (93,999)                                      |
| Net change in non-cash working capital                | 16   | <b>8,274</b>                                   | (43,891)                                       | -   | -   |
| Cash flows provided by (used in) financing activities |      | <b>(5,998)</b>                                 | 1,736,264                                      | <b>6,841,627</b>                              | 7,669,174                                     |
| <b>Investing activities</b>                           |      |  |  |   |   |
| Expenditures on exploration and evaluation            | 6    | <b>(250,080)</b>                               | -  | <b>(250,080)</b>                              | -   |
| Expenditures on property and equipment                | 7    | <b>(3,413,834)</b>                             | (93,800)                                       | <b>(4,333,412)</b>                            | (93,800)                                      |
| Property acquisitions                                 |      | -  | -  | -   | (1,526,114)                                   |
| Restricted cash equivalent                            | 8    | -  | -  | <b>(499,950)</b>                              | -   |
| Net change in non-cash working capital                | 16   | <b>3,669</b>                                   | -  | <b>(1,254,967)</b>                            | (52,046)                                      |
| Cash flow used in investing activities                |      | <b>(3,660,245)</b>                             | (93,800)                                       | <b>(6,338,409)</b>                            | (1,671,960)                                   |
| Increase (decrease) in cash during the period         |      | <b>(4,366,659)</b>                             | 1,623,729                                      | <b>(946,415)</b>                              | 5,479,053                                     |
| Cash – beginning of period                            |      | <b>7,095,671</b>                               | 3,938,569                                      | <b>3,675,427</b>                              | 83,245  |
| Cash – end of period                                  |      | <b>2,729,012</b>                               | 5,562,298                                      | <b>2,729,012</b>                              | 5,562,298                                     |

See accompanying notes to the interim condensed consolidated financial statements.

## Westgate Energy Inc.

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

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### 1. REPORTING ENTITY

Westgate Energy Inc. (formerly 763997 Alberta Ltd.) (the "Company" or "Westgate") is an oil, natural gas and natural gas liquids ("NGL" or "NGLs") exploration, development and production company with properties located in Western Canada. The Company is traded on the TSX Venture exchange (the "TSXV") under the symbol "WGT" effective June 11, 2024.

On May 23, 2024, 763997 Alberta Ltd. and Grafton Energy Holdings Corp. ("Grafton") completed a business combination transaction and combined their respective businesses in a reverse takeover transaction ("RTO") as disclosed in note 5. Grafton changed its name to Westgate Energy Operating Ltd. and is a wholly owned subsidiary of Westgate, and was incorporated on March 8, 2021 under the Business Company's Act (Alberta).

Westgate's head office address is located at 420-2020 4th Street SW, Calgary, Alberta, Canada, T2S 1W3.

### 2. BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB) using International Accounting Standard ("IAS") 34: Interim Financial Reporting. These Financial Statements have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2023.

The Financial Statements have been prepared using the same accounting policies and methods as the Grafton audited financial statements for the year ended December 31, 2023, except as disclosed in Note 3. There were no changes to the Company's operating segments during the period. The Financial Statements are presented in Canadian dollars which is the functional currency of the Company. As the transaction was an RTO under IFRS, the comparative information in these Financial Statements consists of Grafton's historical information.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors, on November 25, 2024.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

Changes in Accounting Policies

#### Stock-based compensation

The Company's stock-based compensation plans for employees, directors and consultants consist of stock options, restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"). The stock options are accounted for as equity-based stock-based compensation plans, while the RSUs and DSUs are accounted for as cash-settled stock-based compensation plans.

The fair values of the equity settled awards are initially measured using the Black-Scholes model using an estimated forfeiture rate, volatility, risk-free rate and expected life. The fair value is recorded as stock-based compensation over the vesting period with a corresponding amount reflected in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. If the Company elects to pay the equity-based awards in cash, the amount previously recorded as contributed surplus is reversed up to the cash payment amount, with any additional amount being expensed immediately.

The RSUs and DSUs are cash-settled stock-based compensation plans. RSUs and DSUs fair values are expensed over the vesting period with a corresponding liability recognized. The liability under the plan is revalued at each reporting date based on the Company's closing share price.

For employees who are working on capital projects, a portion of stock-based compensation may be capitalized to Property and Equipment ("P&E") or Exploration and Evaluation ("E&E") assets. For the remainder of employees, the compensation is expensed.

#### IAS 1 – Presentation of Financial Statements

Effective January 1, 2024, amendments to the classification of liabilities as non-current include the requirement that a right to defer settlement must have substance and exist at the end of the reporting period. This accounting pronouncement does not have a material impact on the Financial Statements.

### 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments of the Company include cash, accounts receivables, secured note receivable, investments, restricted cash equivalent, accounts payable and accrued liabilities, and other liabilities.

As at September 30, 2024 and December 31, 2023, the carrying amounts reported on the interim condensed consolidated statement of financial position approximated the estimated fair values of financial instruments due to the short terms to maturity or the terms and conditions of their repayment, except for the investments which are measured at fair value through profit and loss and are carried at level 1 and level 3 fair values.

## Westgate Energy Inc.

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

### Risks associated with financial assets and liabilities

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as: credit risk; liquidity risk; and market risk.

#### Credit risk

The maximum exposure to credit risk is as follows:

| <i>(Canadian dollars)</i>                       | September 30, 2024 | December 31, 2023 |
|---|--------------------|-------------------|
| Cash  | 2,729,012          | 3,675,427         |
| Restricted cash equivalent                      | 499,950            | -                 |
| Accounts receivable                             |                    |                   |
| Oil and natural gas customers                   | 292,207            | 107,159           |
| Oil and gas operators, net of \$5,763 allowance | 2,689              | 58,413            |
| Government receivable                           | 209,487            | 202,460           |
| Other receivable                                | 55,923             | 10,500            |
| Secured note receivable                         | 340,000            | -                 |
|   | 4,129,268          | 4,053,959         |

#### Cash and restricted cash equivalent

Cash and restricted cash equivalent are assets that are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company's cash and restricted cash equivalent is held within a major national bank.

#### Accounts receivable

Substantially all of the Company's accounts receivables are due from customers and partners concentrated in the Canadian oil and gas industry. The Company generally extends unsecured credit to these customers and therefore the collection of accounts receivable may be affected by changes in economic conditions. Management aims to mitigate this risk by dealing with a broad selection of reputable partners within the sector, by reviewing credit ratings of counterparties and partners, and through closely monitoring significant balances.

Accounts receivables are related to the sale of the Company's oil, natural gas and NGL production and are normally collected on the 25th day of the month following delivery. Substantially all these oil and natural gas customers accounts receivables have been collected as of the date of these Financial Statements.

Westgate applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. Prior credit losses in the collection of accounts receivable by Westgate have been negligible and the Company anticipates some future credit losses based on forward-looking information. A \$5,763 allowance for doubtful accounts has been recorded against the oil and gas operators account.

#### Secured note receivable

In conjunction with the RTO, a secured note receivable was acquired with an outstanding settlement amount owing of \$730,192, including recoverable amounts, accrued interest and other adjustments. Security held for the note includes a general asset security and a \$0.4 million secured asset collateral (residential property) due on demand (the "Mortgage") that matured on December 31, 2023. On January 19, 2024, Westgate issued a demand letter for the payment of \$421,863 on or before January 31, 2024 related to the Mortgage inclusive of interest and commenced steps to enforce its security under the Mortgage and general security. On the RTO date and September 30, 2024, the estimated the fair market value of note to recover was \$340,000 (Note 5) relating to the Mortgage.

#### Liquidity risk

The timing of cash outflows relating to non-derivative financial liabilities as at September 30, 2024 are as follows:

|  | Less than one year | One to three years | Total   |
|--|--------------------|--------------------|---------|
| Accounts payable and accrued liabilities | 727,606            | -                  | 727,606 |

Liquidity risk is the risk that Westgate will not be able to meet all of its financial obligations when they become due. The Company actively manages its liquidity through carrying cash on hand, cost controls, loans and share insurance. Such strategies include continuously monitoring forecast and actual cash flows and financing activities. The nature of the oil and gas industry is very capital intensive. As a result, the Company prepares annual capital expenditure budgets and utilizes authorizations for expenditures for projects to manage capital expenditures. During the nine months ended September 30, 2024, the Company recognized a \$97,705 gain on the settlement of an accounts payable acquired with the RTO.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, investments and interest rates will affect the Company's net loss. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

## Westgate Energy Inc.

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

### i) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Company's natural gas and NGL sales are denominated in Canadian dollars. However, the underlying market prices in Canada for natural gas and NGLs are impacted by changes in the exchange rate between the Canadian and United States dollar.

### ii) Commodity price risk

The Company is exposed to the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The reference price for buyers and sellers of crude oil relevant to note 12 to the Company's oil sales is West Texas Intermediate at Cushing, Oklahoma, USA ("WTI"), and the reference price for buyers and sellers of natural gas includes deals that are conducted anywhere within TransCanada's Alberta, Canada System, otherwise known as NOVA ("AECO"). Westgate manages this exposure through its capital programs and production levels to maximize the value of recoverable resources.

### iii) Investment risk

The Company is exposed to investment risk that the fair value of future cash flows will fluctuate as a result of changes in the valuation of investments. On May 23, 2024, the fair value of the investment was \$75,000 of share investments, with \$60,000 held in public companies and \$15,000 held in private companies. As of September 30, 2024, the fair value of the investments decreased to \$60,000 due to the share price changes of the public companies. During the third quarter of 2024, the Company recognized an unrealized investment loss of \$15,000 from public companies and an unrealized investment gain of \$600 from a private company.

### iv) Interest rate risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance at September 30, 2024 of \$2.7 million (December 31, 2023 - \$3.7 million) from a 1.0% change in interest rates, would have an annualized impact of approximately \$27,290 (December 31, 2023 - \$36,700). The Company's restricted cash balances are not exposed to interest rate fluctuations as they are held in fixed rate investments.

## 5. ACQUISITION

On May 23, 2024, Grafton completed its acquisition and amalgamation transaction pursuant to which Grafton and 763997 Alberta Ltd. combined their respective businesses that resulted in the RTO by Grafton, whereby former Grafton shareholders received 94% of the resulting total common shares of Westgate constituting a reverse takeover. On June 7, 2024, the Company received final acceptance from the TSXV that Westgate shares would resume trading under the symbol "WGT" on June 11, 2024. In connection with the RTO:

### Net assets acquired:

|  |                |
|--|----------------|
| Cash                                     | 324,476        |
| Secured note receivable                  | 340,000        |
| Investments                              | 75,000         |
| Accounts payable and accrued liabilities | (575,059)      |
| <b>Net assets acquired</b>               | <b>164,417</b> |

### Consideration:

|  |         |
|--|---------|
| Fair value of 2,667,797 common shares of the Westgate (Note 9) | 775,440 |
|--|---------|

### Excess consideration:

|                               |         |
|-------------------------------|---------|
| Consider as a listing expense | 611,023 |
|-------------------------------|---------|

Total listing expenses for the acquisition were \$1,341,624, including the excess consideration of \$611,023 and \$730,641 for professional fees and TSXV costs.

## 6. EXPLORATION AND EVALUATION ASSETS

|                                      |                |
|--------------------------------------|----------------|
| Balance at December 31, 2023         | 20,000         |
| Additions                            | 250,080        |
| <b>Balance at September 30, 2024</b> | <b>270,080</b> |

In accordance with IFRS, an impairment test is performed if the Company identified an indication of impairment. At September 30, 2024, the Company determined that no indicators of impairment were present.

## Westgate Energy Inc.

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

### 7. PROPERTY AND EQUIPMENT

The Company's property and equipment consist of oil development and production ("D&P") assets and corporate assets. D&P assets include the Company's interests in developed oil, natural gas and NGL properties, as well as interests in facilities and pipelines.

The following tables reconcile the movements in the cost and accumulated depletion and depreciation during the nine months ended September 30, 2024.

|  | D&P               | Corporate assets | Net carrying value |
|--|-------------------|------------------|--------------------|
| Balance at December 31, 2023                                 | 6,588,065         | 5,749            | 6,593,814          |
| Additions  | 4,333,412         | -                | 4,333,412          |
| Decommissioning obligations incurred (Note 8)                | 193,184           | -                | 193,184            |
| Change in decommissioning obligations cost estimate (Note 8) | 22,228            | -                | 22,228             |
| Depletion and depreciation                                   | (725,641)         | (957)            | (726,598)          |
| <b>Balance at September 30, 2024</b>                         | <b>10,411,248</b> | <b>4,792</b>     | <b>10,416,040</b>  |

The calculation of depletion expense for the three and nine month periods ended September 30, 2024, included \$1.7 million (December 31, 2023 - \$1.7 million) of future development costs included in the Richdale and Killam reserve reports.

#### *Impairment test of P&E*

The Company identified two CGUs as at September 30, 2024, based on the lowest level at which properties generate cash inflows while applying judgment to consider factors such as similar reserve characteristics, geographical location, and shared infrastructure. At September 30, 2024, the Company determined that there were no impairment indicators on the Company's CGUs.

### 8. DECOMMISSIONING OBLIGATIONS

|   |                  |
|---|------------------|
| Balance at December 31, 2023                        | <b>2,841,307</b> |
| Settlements of decommissioning obligations          | <b>(35,346)</b>  |
| Decommissioning obligations incurred                | <b>193,184</b>   |
| Change in decommissioning obligations cost estimate | <b>22,228</b>    |
| Accretion   | <b>69,156</b>    |
| <b>Balance at September 30, 2024</b>                | <b>3,090,529</b> |

The Company's decommissioning obligation results from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years.

The key assumptions, on which the carrying amount of the decommissioning obligation is based, include discount rates at a range from 2.70 % to 3.11% percent (December 31, 2023 – 3.10%) and inflation rate of 2.00% (December 31, 2023 – 2.00%). As at September 30, 2024, the total inflated, undiscounted amount of the estimated cash flows required to settle the obligations was \$5.11 million (December 31, 2023 – \$4.75 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 50 years.

As at September 30, 2024, the Company issued a cash collateralized letter of credit of \$499,950 (December 31 - \$Nil) on behalf of the Alberta Energy Regulator for a deposit against the decommissioning obligations. The letter of credit is irrevocable and shall remain valid for one year.

## Westgate Energy Inc.

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

### 9. SHARE CAPITAL

#### Issued and outstanding shares

The Company's authorized share capital consists of an unlimited number of class "A" common shares ("Shares"), and unlimited number of class "B", "C", and "D" common shares and unlimited number of preferred shares. The following table summarizes the Company's issued and outstanding Shares, being the only class of shares issued and outstanding, during the nine months ended September 30, 2024.

|  | Nine Months Ended<br>September 30, 2024 |                   |
|--|---|-------------------|
|  | Shares                                  | Amount            |
| Balance, December 31, 2023 (pre-consolidation) | 89,923,120                              | 7,974,208         |
| Share cancellation - Grafton                   | (89,923,120)                            | -                 |
| Issuance of shares - Grafton conversation      | 30,963,659                              | -                 |
| Issuance of shares - non-brokered              | 7,770,496                               | 2,564,522         |
| Issuance of shares - brokered                  | 8,379,009                               | 3,411,222         |
| Shares – pre-RTO (Note 5)                      | 2,667,797                               | 775,440           |
| Issuance of shares - compensation settlement   | 547,090                                 | 159,021           |
| Share issue costs                              | -                                       | (453,936)         |
| <b>Balance, September 30, 2024</b>             | <b>50,328,051</b>                       | <b>14,430,477</b> |

On May 23, 2024, Grafton completed its acquisition and amalgamation transaction pursuant to which the Company and 763997 Alberta Ltd. combined their respective businesses that resulted in the RTO by Grafton. In connection with the RTO:

- Grafton's outstanding 89,923,120 shares were exchanged for 30,963,659 common shares of Westgate.
- Grafton completed a non-brokered private placement of units, resulting in 7,770,496 Westgate Shares and 7,770,496 Westgate Share purchase warrants being issued on May 23, 2024 for aggregate gross proceeds of \$3,385,005. The aggregate proceeds were allocated to Shares of \$2,564,522 and warrants of \$820,483.
- Grafton completed a brokered private placement of units, resulting in 8,379,009 Westgate Shares, and 8,379,009 Westgate Share purchase warrants being issued May 23, 2024 for aggregate gross proceeds of \$3,650,085. The aggregate proceeds were allocated to Shares of \$3,411,222 and warrants of \$238,863.
- 2,667,797 Shares, with an estimated fair value of \$775,440, continued to be held by pre-RTO shareholders of the Company
- Westgate issued 547,090 Shares with a fair value of \$159,021, and made a cash payment of \$43,274, to a former director and executive officer of 763997 Alberta Ltd. to settle \$300,000 of accounts payable pursuant to compensation settlement agreements, with \$97,705 recognized as a gain on settlement of accounts payable in the Financial Statements.
- Unit issuance costs incurred of \$534,408 included \$517,940 of cash expenses incurred and \$16,468 related to the estimated fair value of broker commission warrants issued. The costs were allocated to shares of \$453,936 and warrants of \$80,472.

#### Warrants

|                                     | Nine Months Ended<br>September 30, 2024 |                |
|-------------------------------------|---|----------------|
|                                     | Units                                   | Amount         |
| Balance, beginning of year          | -                                       | -              |
| Issuance of warrants - non brokered | 7,770,496                               | 820,483        |
| Issuance of warrants - brokered     | 8,379,009                               | 238,863        |
| Issuance of warrants - commission   | 335,563                                 | 16,468         |
| Warrant issue costs                 | -                                       | (80,472)       |
| <b>Balance, end of year</b>         | <b>16,485,068</b>                       | <b>995,342</b> |

In conjunction with the issuance of the Shares, on May 23, 2024 Westgate issued 16,485,068 warrants:

- 7,770,496 warrants in conjunction with the non-brokered private placement with an exercise price of \$0.44 per warrant and estimated fair value of \$0.11 per warrant, expiring May 23, 2029,
- 8,379,009 warrants in conjunction with the brokered private placement with an exercise price of \$0.58 per warrant and estimated fair value of \$0.03 per warrant, expiring May 23, 2026, and
- 335,563 warrants in conjunction the broker commissions with an exercise price of \$0.44 per warrant and estimated fair value of \$0.05 per warrant, expiring March 15, 2026.

The fair value of the warrants was determined using the Black-Scholes option valuation model. The fair value of the warrants on the grant date was estimated using the Westgate RTO Share price of \$0.29 per Share, a risk-free interest rate of 3.88%, and expected volatility of 50%. The expected life was based on the expiry dates.

## Westgate Energy Inc.

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
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### 10. STOCK-BASED COMPENSATION

On July 17, 2024, an Omnibus Equity Incentive Plan ("Plan") was approved by the Shareholders of the Company. The Plan is a long-term incentive plan that permits the grant of options, RSUs, PSUs and DSUs to eligible individuals. The Options, RSUs, PSUs and DSUs are rolling plans and the number of common shares that may be issued on exercise under the plans is limited to an aggregate of 10% of the common shares outstanding. The stock options have been accounted for as equity-settled stock-based compensation plans. The RSUs and DSUs have been accounted for as cash-settled stock-based compensation plans.

The following table summarizes the Company's outstanding stock-based compensation units:

|   | As at September 30, 2024 |             |
|---|--------------------------|-------------|
|   | Outstanding              | Exercisable |
| RSUs  | 1,674,000                | -           |
| DSUs  | 126,000                  | -           |
| Cash-settled units                          | 1,800,000                | -           |
| Share options - equity-based units          | 3,600,000                | -           |
| <b>Total stock-based compensation units</b> | <b>5,400,000</b>         | <b>-</b>    |

On August 16, 2024, the Company issued 1,674,000 RSUs to officers and employees of the Company. The RSU's vest over a two-year period with 50% vesting on the 12-month anniversary and 25% vesting every six months thereafter, and the Company also issued 126,000 DSUs to directors of the Company. The DSUs vest over a two-year period with 50% vesting on the 12-month anniversary and 25% vesting every six months thereafter.

On August 16, 2024, the Company issued 3,600,000 options to certain officers, directors, employees and consultants of the Company exercisable into one Share of the Company at a price of \$0.30 per Option. The options vest over a three-year period in increments of 33% every 12 months and have a term of five years with expiry on August 14, 2029.

The following table summarizes the Company's stock-based compensation expense:

|   | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|---|----------------------------|--------------------|---------------------------|--------------------|
|   | September 30, 2024         | September 30, 2023 | September 30, 2024        | September 30, 2023 |
| RSUs – cash-settled expense             | 37,586                     | -                  | 37,586                    | -                  |
| DSUs – cash-settled expense             | 2,829                      | -                  | 2,829                     | -                  |
| <b>Total – cash-based expense</b>       | <b>40,415</b>              | <b>-</b>           | <b>40,415</b>             | <b>-</b>           |
| Share options - equity-based expense    | 41,863                     | -                  | 41,863                    | -                  |
| <b>Stock-based compensation expense</b> | <b>82,278</b>              | <b>-</b>           | <b>82,278</b>             | <b>-</b>           |

The fair value of the stock options was determined using the Black-Scholes option valuation model. The fair value of the stock options on the grant date was determined using the Westgate closing price on the grant date of \$0.28 per Share, a risk-free interest rate of 2.98%, an expected volatility of 65%, a 5-year expected life and a 0% forfeiture rate.

The liabilities under the cash-settled plans are revalued at each reporting date based on the Company's closing share price. The following table reconciles the Company's cash-settled stock-based liability.

|   |               |
|---|---------------|
| Balance at January 1, 2024 and July 1, 2024 | -             |
| RSUs – cash-settled expense                 | 37,586        |
| DSUs – cash-settled expense                 | 2,829         |
| Liabilities settled                         | -             |
| <b>Balance at September 30, 2024</b>        | <b>40,415</b> |
| <b>Presented</b>                            |               |
| Current                                     | 25,520        |
| Long-term                                   | 14,895        |

## Westgate Energy Inc.

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

### 11. LOSS PER COMMON SHARE

|   | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|---|----------------------------|--------------------|---------------------------|--------------------|
|   | September 30, 2024         | September 30, 2023 | September 30, 2024        | September 30, 2023 |
| Loss and comprehensive loss for the period            | (487,454)                  | (622,564)          | (2,551,218)               | (1,206,036)        |
| Weighted average number of shares (basic and diluted) | 50,328,051                 | 24,103,455         | 40,151,144                | 26,033,715         |
| Basic and diluted loss per share                      | (0.01)                     | (0.03)             | (0.06)                    | (0.05)             |

### 12. OIL, NATURAL GAS, AND NGL SALES, NET OF ROYALTIES

The following table provides a summary of the Company's revenue streams, all of which are revenue from contracts with customers:

|                                       | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|---------------------------------------|----------------------------|--------------------|---------------------------|--------------------|
|                                       | September 30, 2024         | September 30, 2023 | September 30, 2024        | September 30, 2023 |
| Oil                                   | 746,176                    | 322,600            | 2,075,051                 | 439,337            |
| Gas                                   | 14,476                     | 106,045            | 144,024                   | 275,372            |
| Natural gas liquids                   | 33,750                     | 31,636             | 97,272                    | 92,455             |
| Total petroleum and natural gas sales | 794,402                    | 460,281            | 2,316,347                 | 807,164            |
| Royalties                             | (98,551)                   | (60,554)           | (257,465)                 | (109,261)          |
| Total revenue, net of royalties       | 695,851                    | 399,727            | 2,058,882                 | 697,903            |

### 13. FINANCE EXPENSE

|   | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|---|----------------------------|--------------------|---------------------------|--------------------|
|   | September 30, 2024         | September 30, 2023 | September 30, 2024        | September 30, 2023 |
| Accretion of decommissioning obligations (Note 8) | 23,855                     | 22,629             | 69,156                    | 34,775             |
| Unwinding of debt discount                        | -                          | 39,195             | -                         | 39,195             |
| Debt issues costs                                 | -                          | 169,845            | -                         | 169,845            |
| Total finance expense                             | 23,855                     | 231,669            | 69,156                    | 243,815            |

### 14. COMMITMENTS

The Company had no commitments as at September 30, 2024 (December 31, 2023 – \$Nil).

### 15. CAPITAL STRUCTURE

As at September 30, 2024, the Company's capital structure is comprised of working capital and shareholder's equity. The significant components of the Company's capital structure are summarized below:

| As at                          | September 30, 2024 | December 31, 2023 |
|--------------------------------|--------------------|-------------------|
| Working capital <sup>(1)</sup> | 3,097,115          | 2,462,998         |
| Shareholder's equity           | 11,177,761         | 6,235,505         |

1) Working capital is the difference between the Company's current assets and liabilities.

#### *Capital Management*

The Company considers its capital structure to include working capital and shareholders' equity. The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including the current economic conditions, the risk characteristics of the Company's oil, natural gas and NGL assets, the depth of its investment opportunities, current and forecasted net debt levels, current and forecasted commodity prices and other facts that influence commodity prices and funds from operations such as quality and basis differentials, royalties, operating costs and transportation costs. In order to maintain or adjust the capital structure, the Company considers its forecasted cash flow from operating activities before changes in non-cash working capital while attempting to finance an acceptable capital expenditure program including acquisition opportunities, the availability of new sources of debt, the sale of assets, limiting the size of the capital expenditure program and the issue of new equity if available on favorable terms.

At September 30, 2024, the Company's capital structure was not subject to any banking covenants. No changes were made to the capital policy during the nine months ended September 30, 2024. The Company will continue to actively monitor its working capital balances and deploy capital prudently to maximize its liquidity position.

**Westgate Energy Inc.**

Notes to the interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023  
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**16. SUPPLEMENTAL CASH FLOW INFORMATION**

|   | Three Months Ended    |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2024 | September 30,<br>2023 | September 30,<br>2024 | September 30,<br>2023 |
| Change in:                                      |                       |                       |                       |                       |
| Accounts receivable                             | (137,649)             | (124,394)             | (181,774)             | (264,173)             |
| Secured note receivable                         | -                     | -                     | (340,000)             | -                     |
| Deposits and prepaid expenses                   | 23,462                | (989)                 | (52,307)              | (46,209)              |
| Inventory                                       | (24,240)              | 25,435                | (13,808)              | (25,651)              |
| Investments                                     | 15,000                | -                     | (60,000)              | -                     |
| Account payable and accrued liabilities         | (449,654)             | 301,069               | (958,163)             | 525,277               |
| Other liabilities                               | 25,520                | -                     | 25,520                | -                     |
| Other non-cash items affecting working capital: |                       |                       |                       |                       |
| Non-cash working capital acquired (Note 5)      | -                     | -                     | (160,059)             | -                     |
| Accounts payable settled with shares (Note 9)   | (2)                   | -                     | 256,725               | -                     |
| Other liabilities                               | 14,895                | -                     | 14,895                | -                     |
|   | (532,668)             | 201,121               | (1,468,971)           | 189,244               |
| Related to:                                     |                       |                       |                       |                       |
| Operating                                       | (544,611)             | 245,012               | (214,004)             | 241,290               |
| Financing                                       | 8,274                 | (43,891)              | -                     | -                     |
| Investing                                       | 3,669                 | -                     | (1,254,967)           | (52,046)              |

**17. SUBSEQUENT EVENTS**

Subsequent to September 30, 2024, the Company paid approximately \$2.1 million to acquire six sections of E&E mineral rights.