

# **Westgate Energy Inc.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the years ended December 31, 2024 and 2023

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To the Shareholders of Westgate Energy Inc.:

## Opinion

We have audited the consolidated financial statements of Westgate Energy Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## ***The impact of oil, natural gas, and natural gas liquid reserves on oil and gas properties***

### *Key Audit Matter Description*

The Company had \$10.8 million of oil and gas properties as at December 31, 2024. Depletion expense was \$1.1 million for the year then ended. The Company depletes its oil and gas properties on a unit-of-production basis over the life of their proved plus probable (2P) reserves. Key assumptions developed by management to determine 2P reserves include forward price estimates, expected future rates of production, the amount and timing of future development expenditures, and future royalties and operating expenditures. The Company's reserves are evaluated by an independent qualified reserve evaluator (management's expert).

Please refer to Note 3 - material accounting policy information, and Note 7 - property and equipment in the consolidated financial statements.

We identified the impact of oil, natural gas, and natural gas liquid reserves on oil and gas properties as a key audit matter due to:

- The significant estimates and judgments used by management, including the use of management's expert, to estimate the 2P reserves.
- The significant auditor judgment required.
- The effort in performing procedures related to the key assumptions used.

### *Audit Response*

We responded to this matter by performing procedures in relation to the impact of oil, natural gas, and natural gas liquid reserves on oil and gas properties. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the competence, capabilities and objectivity of the independent qualified reserve evaluators engaged by the Company, who estimated the 2P reserves. We evaluated the methodology used by the independent qualified reserves evaluators to estimate the 2P reserves for compliance with the applicable regulatory standards. Procedures included gaining an understanding of the work performed by management's expert, testing the data and assumptions used by management's expert, and evaluating their findings.
- Evaluated the key assumptions used by management in determining 2P reserves and the reasonableness thereof. Procedures included:
  - Testing of forward price estimates by comparing to third-party industry forecasts.
  - Using the past and current performance of the Company to evaluate expected future rates of production and the timing and amount of future development expenditures.
  - Assessing whether the estimates used were consistent with audit evidence gathered in other areas of our audit.
- Compared the current year actual CGU production volumes, royalty rates, operating and capital costs to those estimates used in the prior year estimate of proved reserves by CGU to assess the Company's ability to accurately forecast.
- Obtained an understanding of the Company's processes and controls over the 2P reserves, assessment of the recoverable amount and depletion expense.
- Recalculated depletion expense.

## **Reverse take-over**

### *Key Audit Matter Description*

The Company determined that the acquisition and amalgamation of Grafton Energy Holdings Corp ("Grafton") and 763997 Alberta Ltd. constituted a reverse take-over of the Company by the shareholders of Grafton.

Please refer to Note 5 to the consolidated financial statements for further details.

Due to the level of judgment and estimation involved in management's evaluation and measurement of the shares exchanged in the acquisition, we have determined that the reverse take-over is a key audit matter.

### *Audit Response*

We responded to this matter by performing procedures in relation to the reverse take-over. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and inspected the terms of the acquisition and amalgamation agreements.
- Evaluated management's assessment that the acquisition constitutes a reverse take-over.
- Evaluated management's assessment that the shares of Grafton were more reliably measured.
- Recalculated the deemed shares exchanged in the acquisition.
- Confirmed the balance of common shares with the Company's transfer agent.
- Evaluated the consolidated financial statement presentation and disclosures related to the reverse take-over.

## **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

Calgary, Alberta

April 23, 2025

*MNP LLP*

Chartered Professional Accountants

# Westgate Energy Inc.

## Consolidated Statements of Financial Position

<b>As at</b> <i>(Canadian dollars)</i>	Note	December 31, <b>2024</b>	December 31, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash	4	743,536	3,675,427
Accounts receivable	4	428,206	378,532
Secured note receivable	4	230,000	-
Deposits and prepaid expenses		73,799	51,110
Inventory		51,204	43,698
		<b>1,526,745</b>	4,148,767
<b>Non-current assets</b>			
Restricted cash equivalent	4,8	499,950	-
Exploration and evaluation	6	2,606,967	20,000
Property and equipment	7	10,821,199	6,593,814
<b>Total assets</b>		<b>15,454,861</b>	10,762,581
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	1,251,635	1,685,769
Other liabilities	11	76,008	-
Decommissioning obligations	8	74,796	-
		<b>1,402,439</b>	1,685,769
<b>Non-current liabilities</b>			
Other liabilities	11	44,360	-
Decommissioning obligations	8	3,195,747	2,841,307
<b>Total liabilities</b>		<b>4,642,546</b>	4,527,076
<b>Shareholders' equity</b>			
Share capital	10	14,100,060	7,974,208
Warrants	10	1,363,508	-
Contributed Surplus	11	127,448	-
Accumulated deficit		(4,778,701)	(1,738,703)
<b>Total shareholders' equity</b>		<b>10,812,315</b>	6,235,505
<b>Total liabilities and shareholders' equity</b>		<b>15,454,861</b>	10,762,581

Commitments (Note 17)  
Subsequent events (Note 20)

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

Approved on behalf of the Board of Directors:

[signed] "Dan Brown"

Dan Brown, Director

[signed] "Art Agolli "

Art Agolli, Director

## Westgate Energy Inc.

### Consolidated Statements of Loss and Comprehensive Loss

<i>(Canadian dollars)</i>	Note	Years Ended December 31,	
		2024	2023
<b>Revenues</b>			
Petroleum and natural gas sales	13	3,559,028	1,186,444
Royalties	13	(415,546)	(176,127)
Petroleum and natural gas sales, net of royalties		3,143,482	1,010,317
Processing revenue		11,203	13,404
<b>Total revenue, net of royalties</b>		<b>3,154,685</b>	<b>1,023,721</b>
<b>Expenses and other income</b>			
Operating		1,718,053	882,208
General and administrative	14	2,109,083	1,456,598
Listing expenses	5	1,276,169	-
Stock-based compensation	11	247,816	-
Depletion and depreciation	7	1,135,430	299,892
Finance expense	14	93,323	331,661
Gain on settlement of accounts payable	4	(32,250)	(60,275)
Gain in value of secured note receivable	4	(172,407)	-
Interest income		(180,534)	(164,235)
<b>Total expenses and other income</b>		<b>6,194,683</b>	<b>2,745,849</b>
<b>Loss and comprehensive loss</b>		<b>(3,039,998)</b>	<b>(1,722,128)</b>
<b>Loss per common share</b>			
Basic and diluted	12	(0.07)	(0.09)

See accompanying notes to the consolidated financial statements.

## Westgate Energy Inc.

### Consolidated Statements of Changes in Shareholders' Equity

<i>(Canadian dollars)</i>	Note	Years Ended December 31,	
		2024	2023
<b>Share capital</b>			
Balance, beginning of year		7,974,208	1,000
Issuance of common shares	10	6,511,793	8,312,312
Share issue costs	10	(385,941)	(339,104)
Balance, end of the year		14,100,060	7,974,208
<b>Warrants</b>			
Balance, beginning of year		-	-
Issuance of warrants	10	1,473,985	-
Warrant issue costs	10	(110,477)	-
Balance, end of the year		1,363,508	-
<b>Contributed surplus</b>			
Balance, beginning of year		-	-
Stock-based compensation – equity-based	11	127,448	-
Balance, end of the year		127,448	-
<b>Accumulated deficit</b>			
Balance, beginning of year		(1,738,703)	(16,575)
Net loss and comprehensive loss		(3,039,998)	(1,722,128)
Balance, end of the year		(4,778,701)	(1,738,703)
Total shareholders' equity		10,812,315	6,235,505

See accompanying notes to the consolidated financial statements.

**Westgate Energy Inc.**  
**Consolidated Statements of Cash Flows**

		Years Ended December 31,	
(Canadian dollars)	Note	2024	2023
<b>Operating activities</b>			
Loss and comprehensive loss		(3,039,998)	(1,722,128)
Items not affecting cash:			
Depletion and depreciation	7	1,135,430	299,892
Accretion of decommissioning obligations	8	93,316	59,229
Listing expense	5	545,569	-
Stock-based compensation – equity-based	11	127,448	-
Gain on settlement of accounts payable	9	-	(60,275)
Unwinding of debt discount	9,14	-	60,275
Debt issues costs	9,14	-	169,845
Non-cash interest expense	9,14	-	42,312
Settlements of decommissioning provisions	8	(35,346)	-
Net change in non-cash working capital	19	373,237	(113,909)
<b>Cash flows used in operating activities</b>		<b>(800,344)</b>	<b>(1,264,759)</b>
<b>Financing activities</b>			
Issuance of units	10	7,035,090	6,320,000
Unit issuance costs	10	(480,191)	(339,104)
Promissory notes	9	-	1,950,000
Debt issue cost	9	-	(169,845)
Cash acquired on RTO	5	324,476	-
Repayment of shareholder loan	16	-	(93,999)
<b>Cash flows provided by financing activities</b>		<b>6,879,375</b>	<b>7,667,052</b>
<b>Investing activities</b>			
Expenditures on exploration and evaluation	6	(2,586,967)	-
Expenditures on property and equipment	7	(4,991,549)	(2,560,778)
Property acquisitions	5,7	-	(1,537,797)
Net change in non-cash working capital	19	(932,456)	1,288,464
<b>Cash flow used in investing activities</b>		<b>(8,510,972)</b>	<b>(2,810,111)</b>
Increase (decrease) in cash during the year		(2,431,941)	3,592,182
Cash – beginning of year		3,675,427	83,245
<b>Cash and cash equivalents – end of year</b>		<b>1,243,486</b>	<b>3,675,427</b>
<b>Presented as:</b>			
<b>Cash</b>		<b>743,536</b>	<b>3,675,427</b>
<b>Restricted Cash</b>	8	<b>499,950</b>	<b>-</b>
Cash interest received		164,421	164,235

See accompanying notes to the consolidated financial statements.

**Westgate Energy Inc.**  
**Notes to consolidated financial statements for the years ended December 31, 2024 and 2023**  
**(Expressed in Canadian Dollars)**

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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 Ventures 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 consolidated financial statements (“Financial Statements”) have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee that were in effect at January 1, 2024, except as noted in Note 3.

These Financial Statements were approved and authorized for issue by the Board of Directors on April 23, 2025, and have been prepared on the historical cost basis. These Financial Statements are prepared in Canadian dollars, which is the functional currency of the Company.

## **3. MATERIAL ACCOUNTING POLICY INFORMATION**

### **Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and affect the results reported in these Financial Statements and could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below.

#### *i) Fair value of consideration in reverse takeover transaction*

The fair value of consideration to acquire the Company in the reverse take-over transaction comprised of common shares, for which the fair value at the date of issuance is a significant estimate. In determining the estimate, management considered recent financings and the Company’s previous trading price.

#### *ii) Acquisitions*

Management uses judgment when determining whether a transaction constitutes a business combination or an asset acquisition based on the criteria in IFRS 3 ‘Business Combinations’. An entity can also apply a ‘concentration test’ that, if met, eliminates the need for further assessment of whether a transaction constitutes the acquisition of a business or the acquisition of an asset. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

Entities may elect to apply the concentration test on a transaction-by-transaction basis. In asset acquisitions, the acquirer identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The consideration paid is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. When determining the initial measurement of an asset acquisition, the acquirer must assess both the fair value of the consideration paid as well as the fair value of each individual asset acquired, and liability assumed. The fair value of the consideration paid determines the cost to be allocated over the group of assets acquired and liabilities assumed. The fair values of the individual assets and liabilities are used to determine the proportional amount of that cost to be allocated to the identifiable assets and liabilities that make up the transaction.

The market value of oil and natural gas interest (included in property and equipment) is derived from estimated proved and probable oil and gas reserves and related cash flow prepared by independent third-party reserve evaluators. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

#### *iii) Determination of cash generating units*

Cash generating units (“CGU” or “CGUs”) are based on an assessment of the units’ ability to generate largely independent cash inflows. The determination of the Company’s CGU’s were based on management’s judgment in regard to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

#### *iv) Exploration and evaluation assets*

The decision to transfer assets from exploration and evaluation (“E&E”) to property and equipment (“P&E”) is based on the estimated proved and probable reserves used in the determination of an area’s technical feasibility and commercial viability.

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
**(Expressed in Canadian Dollars)**

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*Exploration and evaluation costs*

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding the economic viability of extracting the underlying resources.

The costs are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. Unsuccessful drilling, or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures, are important factors when making this determination. If a judgment is made that the extraction of resources is not viable, the associated exploration and evaluation costs are impaired and charged to the consolidated statement of loss and comprehensive loss.

*Impairment of E&E assets*

The Company's exploration and evaluation assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amounts is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amounts. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, commodity prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

*Amortization of E&E assets*

The Company applies judgment with respect to its determination that none of its exploration and evaluation assets have reached a feasible stage of operations to warrant capitalization as developed and producing assets.

v) Property and equipment assets

*Reserves base*

The oil and gas development and production properties are depreciated on a unit of production ("UOP") basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporate the estimated future cost of developing and extracting those reserves. Proved plus probable reserves are determined using estimates of natural gas and natural gas liquids in place, recovery factors and future prices. Future development costs are estimated using assumptions as to number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved and probable reserves.

*Depletion of oil and gas assets*

Oil and gas properties are depleted using the UOP method over proved plus probable reserves. The calculation of the UOP rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production based on proved plus probable reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

*Impairment indicators and calculation of impairment*

At each reporting date, Westgate assesses whether or not there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and P&E are not recoverable, or impaired. Such circumstances include deterioration of commodity prices, changes in the regulatory environment, or a reduction in estimates of proved and probable reserves. When management judges that circumstances clearly indicate impairment, P&E and E&E assets are tested for impairment by comparing the carrying values to their recoverable amounts. The recoverable amounts of cash generating units are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions that are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves, discount rates, decommissioning liabilities as well as future development and operating costs.

vi) Decommissioning obligations

The obligation for abandonment and reclamation is based on the current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of the changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
**(Expressed in Canadian Dollars)**

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*vii) Stock-based compensation*

The measurement of stock-based compensation includes share price, volatility, expected life, risk-free rates and forfeiture rates which are based on management's assumptions and estimates.

All of these estimates are subject to measurement uncertainty and changes in these estimates could materially impact the Financial Statements of future periods and have a significant impact on net income.

*viii) Deferred taxes*

Tax regulations and legislations are subject to change and differing interpretations requiring management judgement. Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in future periods, which requires management judgement. Deferred tax liabilities are recognized when it is considered probable that the tax on temporary differences will be payable to tax authorities in future periods, which requires management judgement. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances and interpretations of the regulations and legislation may result in a material increase or decrease in the Company's tax assets and liabilities.

*ix) Inventory*

The Company evaluates the carrying value of its inventory at the lower of cost and net realizable value. The net realizable value is estimated based on anticipated current market prices that Westgate would expect to receive from the sale of its inventory.

*x) Measurement of derivatives*

The measurement of derivative warrants includes share price, volatility, expected life, risk-free rates and forfeiture rates which are based on management's assumptions and estimates.

*xi) Going concern*

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing the Financial Statements. Management prepares the Financial Statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of financing.

*xii) Uncertainty due to global events*

The impacts of geopolitical events such as the tariffs between Canada and the United States of America, regional conflicts, especially in oil producing areas, can materially impact energy markets, interest and inflation rates and supply chains resulting in higher levels of volatility and uncertainty. Management has, to the extent reasonable, incorporated known facts and circumstances into the estimates made, however, actual results could differ from those estimates and those differences could be material.

The long-term impacts of tariffs remain uncertain.

All of these estimates are subject to measurement uncertainty and changes in these estimates could materially impact the Financial Statements of future periods and have a significant impact on net loss and comprehensive loss.

## **ACCOUNTING POLICIES**

The following are the accounting policies which management considers material to the users of the Financial Statements. Accounting policy information is considered to be material if its disclosure is needed for users to understand information provided about material transactions, other events or conditions in the Financial Statements.

### **(a) Principles of consolidation and joint arrangements**

These Financial Statements include the accounts of the Company and its wholly owned subsidiary, Westgate Energy Operating Ltd., and any reference to the Company throughout these Financial Statements refers to the Company and its wholly owned subsidiary. All intercompany balances, transactions, revenue and expenses are eliminated on consolidation. Westgate also undertakes certain business activities through joint arrangements. A joint arrangement is established under contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Westgate only recognizes its proportionate interests in the assets, liabilities, revenues and expenses associated with joint arrangements.

### **(b) Cash**

Cash consists of balances held on deposit with banks with original maturities of three months or less.

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
**(Expressed in Canadian Dollars)**

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**(c) Financial instruments**

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

All financial instruments are initially recorded at fair value at the time of acquisition.

*Classification and measurement of financial assets*

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company will classify its financial assets:

- i. Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- ii. Fair value through other comprehensive income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- iii. Fair value through profit or loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at FVTPL. This includes all derivative financial assets.

*Classification and measurement of financial liabilities*

A financial liability is initially classified and measured as amortized cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition.

*Impairment of financial assets*

Westgate applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 Financial Instruments ("IFRS 9") which permits the use of the lifetime expected loss provision for all trade receivables carried at amortized cost.

At each reporting date, the Company measures the lifetime expected loss provision taking into consideration Westgate's historical credit loss experience as well as forward-looking information in order to establish loss rates. The impairment loss (or reversal) is the amount of expected credit losses that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**(d) Inventory**

Inventory consists of oil. The carrying value of inventory includes all direct expenditures required to bring the inventory to its present location and condition, including transportation expenses. Westgate values its inventory using the weighted average cost method and inventory is held at the lower of cost and net realizable value at each reporting period. Net realizable value is the estimated selling price less any expected selling costs. If the carrying value exceeds the net realizable value, a write-down is recognized. A change in circumstance could result in a reversal of the write-down for inventory that remains on hand in a subsequent period.

**(e) Share capital**

Equity instruments issued by the Company are recorded at the proceeds received, with direct issue costs as a deduction there from, net of any associated tax benefit. Changes in share capital amounts reflect the share split retrospectively.

**(f) Joint arrangements**

A portion of the Company's oil and natural gas activities involve joint arrangements classified as joint operations. The Company's share of these joint operations and the proportionate share of the relevant revenue and costs are reflected in the Financial Statements. Joint control exists for contractual arrangements governing Westgate's assets where all partners collectively control the arrangement and share the associated risks, Westgate has less than 100 percent working interest, all of the partners have control of the arrangement collectively and spending on the project requires majority consent of parties. Westgate does not have any joint arrangements that are material to the Company or that are structured through joint venture arrangements.

**(g) Property and equipment and exploration and evaluation assets**

*i) Exploration and evaluation expenditures*

Exploratory costs incurred subsequent to acquiring the right to explore for oil and natural gas and before technical feasibility and commercial viability of the area have been established are capitalized as E&E assets. Such costs can typically include costs to acquire land rights in sections with no proved or probable reserves assigned, geological and geophysical costs, and exploration wells.

## Westgate Energy Inc.

### Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023

#### (Expressed in Canadian Dollars)

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Exploration and evaluation cost expenditures initially are capitalized as either tangible or intangible according to the nature of the assets acquired. The costs are accumulated in areas by well, field or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are not depreciated and are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource from exploration and evaluation assets is considered when proved and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proved and probable reserves have been discovered. Upon determination of proved and probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to development and production assets within P&E. If the well or exploration project did not encounter potentially economic oil and gas quantities, the unrecoverable costs are expensed and reported in exploration and evaluation expense in the period incurred.

#### *ii) Development and production expenditures*

Items of P&E, which include petroleum and natural gas development and production assets, are measured at cost less accumulated depletion and impairment. Costs include E&E expenditures incurred in finding commercial reserves transferred from E&E assets, drilling and completion, production facilities, decommissioning costs, geological and geophysical costs and directly attributable costs related to development and production activities, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Gains and losses on disposal of an item of P&E, including oil and natural gas properties and E&E assets, are determined by comparing the proceeds from disposal with the carrying amount of P&E and are recognized within the consolidated statement of loss and comprehensive loss.

#### *iii) Subsequent costs*

Costs incurred subsequent to commencement of production that are significant are recognized as P&E assets only when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized P&E costs generally represent costs incurred in developing proved and probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of P&E are recognized against income as incurred.

#### *iv) Depletion*

The net carrying value of oil and gas properties is depleted using the unit of production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Major development projects are not depleted until production commences.

### **(h) Impairment and impairment reversals**

#### *i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income in the period incurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the consolidated statement of loss and comprehensive loss.

#### *ii) Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to P&E, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
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In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less cost of disposal is assessed utilizing market valuation based on an arm's length transaction between active participants. In the absence of any such transactions, fair value less costs of disposal is estimated by discounting the expected after-tax cash flows of the cash generating unit at an after-tax discount rate that reflects the risk of the properties in the cash generating unit. The discounted cash flow calculation is then increased by a tax-shield calculation, which is an estimate of the amount that a prospective buyer of the cash generating unit would be entitled.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been objective change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or depletion, if no impairment loss had been recognized.

**(i) Decommissioning obligations**

A decommissioning obligation is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Decommissioning obligations are determined in accordance with local conditions and is discounted using a risk-free rate of return. A corresponding asset equal to the initial estimated liability is capitalized as part of the long-lived asset. The increase in the obligation due to the passage of time is recognized as a finance cost in the consolidated statement of loss and comprehensive loss. Actual expenditures incurred are charged against the accumulated liability. Revisions to the estimated amount and timing of the obligations are reflected as increases or decreases to the decommissioning obligations with corresponding asset retirement obligation ("ARO") costs capitalized as part of the long-lived asset.

**(j) Leases**

The Company has applied the practical expedients for short-term and low-value leases whereby related lease payments are recognized as expenses in the period incurred.

**(k) Revenue**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Westgate recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Company to its customer, and it is probable that the Company will collect the consideration to which it is entitled. The Company assesses customer creditworthiness, both before entering into contracts, and throughout the revenue recognition process. Westgate recognizes revenue from the sale of the petroleum and natural gas products, including Oil, Natural gas and Natural gas liquids ("NGLs"), and the sale of services for processing income, including gathering and compression of natural gas of third-party volumes.

The Company satisfies its performance obligations in contracts with customers upon the delivery of natural gas, and NGLs, which is generally at a point in time when the unit of production is delivered. Westgate sells its production of natural gas, and NGLs pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. Westgate's revenue transactions do not contain significant financing components and payments are typically due within 30 days of revenue recognition. The Company does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer is less than one year.

**(l) Tax**

Tax expense comprises current and deferred tax. Tax expense is recognized in the consolidated statement of loss and comprehensive loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## Westgate Energy Inc.

### Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023

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Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference and unutilized tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **(m) 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 with any subsequent changes in value recognized in the consolidated statements of loss and comprehensive loss.

For employees who are working on capital projects, a portion of stock-based compensation may be capitalized to P&E or E&E assets. For the remainder of employees, the compensation is expensed.

#### **(n) Commitments and contingencies**

The Company discloses its financial commitments, yet to be incurred, based on the minimum contractual costs at the reporting date. A contingent liability is disclosed when the possibility is considered more than remote but not yet probable, where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are disclosed if a future economic benefit is probable but are only recorded when recovery of the contingent asset is considered virtually certain.

#### **(o) Foreign currency translation**

Transactions in foreign currencies are translated into the functional currency using the exchange rate on the transaction date. The Financial Statements are presented in Canadian dollars which is the Company's functional currency. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss and comprehensive loss.

#### **(p) Changes in accounting policies**

The following accounting policies were adopted during the year ended December 31, 2024. None of these accounting pronouncements have a material impact on the Financial Statements.

##### **IAS 1 – Disclosure of Accounting Policies**

On January 1, 2024, the Company adopted Disclosure of Accounting Policies, which made amendments to IAS 1 Presentation of Financial Statements. The amendments require that an entity is now required to disclose material accounting policy information instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

##### **IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**

On January 1, 2024, the Company adopted amendments to IAS 8 to include additional clarification on the determination of changes in accounting policies from changes in accounting estimates. The development of accounting estimates includes selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique.

##### **IAS 12 – Income Taxes**

On January 1, 2024, the Company adopted amendments to IAS 12 requiring entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

## Westgate Energy Inc.

### Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023

#### (Expressed in Canadian Dollars)

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The Company has reviewed the following reporting and accounting standards that have been issued, but are not yet effective:

On August 15, 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* that contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for reporting periods beginning on or after January 1, 2025. Westgate does not anticipate any material impact from these amendments on the Financial Statements.

On May 30, 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* that clarify the recognition and derecognition of certain financial assets and liabilities, including an exception for those settled via electronic cash transfer systems. New disclosure requirements are introduced for instruments with terms that can change cash flows and for equity instruments designated at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026. Westgate does not anticipate any material impact from these amendments on the Financial Statements.

On April 9, 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, this is a new standard on financial statement presentation and disclosure with a focus on updates to the statement of profit or loss. The standard is effective for reporting periods beginning on or after January 1, 2027. Westgate is currently reviewing the new disclosure requirements for IFRS 18.

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### *Classification and measurement of financial assets and financial liabilities*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. The Company's financial assets and financial liabilities are classified into two categories: Amortized Cost and FVTPL. The classification of financial assets is determined by their context in Westgate's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition. Subsequent measurement is dependent on the financial instrument's classification.

### *Amortized cost*

Cash, accounts receivable, accounts payable and accrued liabilities, secured notes receivable and shareholder loan are measured at amortized cost. The contractual cash flows received from financial assets are payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows.

### *FVTPL*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. The other liabilities are measured at FVTPL. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible.

Fair value is determined following a three-level hierarchy:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract.

Level 3: Fair value is determined using inputs that are not observable.

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy.

The fair values of the Company's equity-settled stock-based options under its stock-based compensation plans are measured using a level 3 Black-Scholes option pricing model. Measurement inputs include estimated forfeiture rate, volatility, risk-free rate and expected life.

The fair values of the Company's cash-settled RSUs and DSUs are classified as level two fair value hierarchy securities and are carried at the Company's closing share price at the end of each reporting period.

The fair values of the warrants are measured at FVTPL using a level 3 Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate.

## Westgate Energy Inc.

### Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

#### a) 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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers. The maximum exposure to credit risk is as follows:

<i>(Canadian dollars)</i>	December 31, 2024	December 31, 2023
Cash	743,536	3,675,427
Restricted cash equivalent	499,950	-
Accounts receivable		
Oil and natural gas customers	347,320	107,159
Oil and gas operators, net of \$5,763 allowance	3,430	58,413
Government receivable	47,056	202,460
Interest and other receivable	30,400	10,500
Secured note receivable	230,000	-
	<b>1,901,692</b>	<b>4,053,959</b>

##### Cash and restricted cash equivalent

Cash and accounts receivable 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 is held within two major national banks. The restricted cash equivalent is held in Guaranteed Investment Certificate with 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. As at December 31, 2024, there were no accounts receivable outstanding for 90 days or more except the amounts related to the allowance for doubtful accounts.

Accounts receivables related to the sale of the Company's oil, natural gas and NGL production from oil and natural gas customers 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 does not anticipate any significant future credit losses based on forward-looking information.

##### 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, with an estimated collectible value of \$415,000 (Note 5) on the date of the RTO. During 2024, Westgate collected \$352,939 of the note receivable and increased the estimated recoverable value of the note receivable by \$167,939 (\$172,407 gain on change in value net of \$4,468 of GST). At December 31, 2024, the carrying value of the secured notes receivable was \$230,000, including \$180,000 that was collected subsequent to year-end. The remaining uncollected secured note receivable of \$50,000 relates to the estimated fair market value of rights of proceeds from public and private company investments.

##### Liquidity risk

The timing of cash outflows relating to the Company's non-derivative financial liabilities as at December 31, 2024 are all less than one year, and include the Company's accounts payables and accrued liabilities of \$1,251,635. 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 and loans. 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.

Other liabilities of \$120,368 at December 31, 2024 relate to the Company's cash-settled stock-based compensation.

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
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**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices 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.

**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 oil sales are denominated in U.S. dollars. However, the underlying market prices in Canada for oil 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 13 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.

Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events and North American processing and supply considerations that influence the levels of supply and demand.

Subsequent to December 31, 2024, the Company agreed to pay on a deferred basis US\$190,319 and entered into the following risk management contracts for crude oil:

Contract	Term	Volume	Contract Price
<b>Crude Oil</b>			
WTI oil put contract (floor)	May 1, 2025 – Jun. 30, 2025	69 bbl/day	\$60.20 USD/bbl
WTI oil put contract (floor)	Jul. 1, 2025 – Sep. 30, 2025	64 bbl/day	\$59.60 USD/bbl
WTI oil put contract (floor)	Oct. 1, 2025 – Dec. 30, 2025	59 bbl/day	\$59.30 USD/bbl
WTI oil put contract (floor)	Jan. 1, 2026 – Mar.31, 2026	54 bbl/day	\$59.20 USD/bbl
WTI oil put contract (floor)	Apr. 1, 2026 – Jun. 30, 2026	51 bbl/day	\$59.30 USD/bbl
WTI oil put contract (floor)	Jul. 1, 2026 – Sep. 30, 2026	47 bbl/day	\$59.30 USD/bbl

**iii) Interest rate risk**

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance at December 31, 2024 of \$0.7 million (December 31, 2023 - \$3.7 million), from a 1.0% change in interest rates, would have an annualized impact of approximately \$7,000 (December 31, 2023 - \$37,000).

**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	415,000
Accounts payable and accrued liabilities	(350,584)
<b>Net assets acquired</b>	<b>388,892</b>

**Consideration:**

Fair value of 3,214,887 common shares of Westgate (Note 10)	934,461
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**Excess consideration:**

Consider as a listing expense	545,569
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Total listing expenses for the acquisition were \$1,276,169, including the excess consideration of \$545,569 and \$730,600 for professional fees and TSXV costs.

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
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*2023 Acquisition - Richdale*

On January 9, 2023, the Company closed the acquisition of certain gas assets in the Richdale area of Alberta for total cash consideration of \$6,000, which represents the estimated fair value of the identifiable assets acquired on the respective acquisition date. The Company applied the optional IFRS 3 concentration test which resulted in the acquisition being accounted for as asset acquisition. As such, the purchase price was allocated to the identifiable assets and liabilities based on their relative fair values at the date of acquisition.

*2023 Acquisition - Killam*

On May 17, 2023, the Company closed a property acquisition for certain oil assets in the Killam area of Alberta for \$1.5 million cash consideration, before customary closing adjustments. The transaction effective date was April 1, 2023. The acquisition was accounted for as an asset acquisition as determined under IFRS 3's asset concentration test, and the Company received full tax pools. \$70,838 of transaction costs were incurred and offset against the purchase price.

The following table summarizes the consideration paid for acquisition, and the estimated fair value of the net identifiable assets acquired on the respective acquisition dates:

<b>Fair value of net assets acquired:</b>	
Prepaid costs	43,024
Inventory	145,386
Petroleum and natural gas properties	4,138,328
Decommissioning obligation assumed on acquisition	(2,606,531)
<b>Net assets acquired</b>	<b>1,720,207</b>
<b>Consideration:</b>	
Purchase price	1,500,000
Purchase price adjustments:	
Net revenue between the effective and closing date <sup>(1)</sup>	(72,226)
Working capital purchased <sup>(2)</sup>	221,595
Acquisition costs	70,838
<b>Total consideration paid</b>	<b>1,720,207</b>
<i>Presented in the cash flow statement as:</i>	
Operating activities paid –working capital	188,410
Investing activities paid – Property acquisitions	1,537,797

<sup>(1)</sup> Revenue collected net of operating, royalty and capital costs incurred between the effective and closing date.

<sup>(2)</sup> Working capital purchased included \$33,185 of preclosing cost recorded to the petroleum and natural gas properties.

**6. EXPLORATION AND EVALUATION ASSETS**

<b>E&amp;E:</b>	
Balance at December 31, 2023 and 2022	20,000
Additions	2,586,967
<b>Balance at December 31, 2024</b>	<b>2,606,967</b>

In accordance with IFRS, an impairment test is performed if the Company identified an indication of impairment. At December 31, 2024 and 2023, the Company determined that no indicators of impairment were present.

The Company's E&E asset additions in 2024 relate a 100% working interest in six sections (1,536 hectares) of mineral rights in the Cold Lake oil sands area of Alberta (the "Beaverdam Assets") as part of a master development agreement with Elizabeth Metis Settlement ("EMS") that, together with certain associated agreements, grants Westgate the right to access to the EMS lands for the purposes of developing certain oil and gas resources. Westgate has identified the potential for up to 40 horizontal drilling locations across multiple horizons within the Mannville Stack group of formations with respect to the Beaverdam Assets.

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**7. PROPERTY AND EQUIPMENT**

The Company's P&E consist of oil development and production assets ("D&P") 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 reconciles the movements in the cost and accumulated depletion and depreciation during the year ended December 31, 2024 and 2023:

	D&P	Corporate assets	Net carrying value
Balance at December 31, 2022	168,305	-	168,305
Additions	2,554,390	6,388	2,560,778
Acquisition – Richdale (Note 5)	6,000	-	6,000
Acquisition – Killam (Note 5)	1,531,797	-	1,531,797
ARO related to acquisitions (Notes 5 and 8)	2,606,531	-	2,606,531
Incurred	96,043	-	96,043
Change in ARO cost estimate (Note 8)	(75,748)	-	(75,748)
Depletion and depreciation	(299,253)	(639)	(299,892)
Balance at December 31, 2023	6,588,065	5,749	6,593,814
Additions	4,991,549	-	4,991,549
Decommissioning obligations incurred (Note 8)	167,094	-	167,094
Change in decommissioning obligations cost estimate (Note 8)	204,172	-	204,172
Depletion and depreciation	(1,134,154)	(1,276)	(1,135,430)
<b>Balance at December 31, 2024</b>	<b>10,816,726</b>	<b>4,473</b>	<b>10,821,199</b>

The calculation of depletion expense for and year ended December 31, 2024, included \$1.8 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 December 31, 2024 (December 31, 2023 – two), 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 December 31, 2024 and 2023, the Company determined that there were no impairment indicators on the Company's CGUs.

**8. DECOMMISSIONING OBLIGATIONS**

As at	December 31, 2024	December 31, 2023
Balance, beginning of year	2,841,307	155,252
Additions related to acquisitions (Note 5)	-	2,606,531
Incurred	167,094	96,043
Settlements of decommissioning obligations	(35,346)	-
Change in estimate	204,172	(75,748)
Accretion	93,316	59,229
Balance, end of year	3,270,543	2,841,307
<b>Presented</b>		
Current	74,796	-
Long-term	3,195,747	2,841,307

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 a discount rate range of 2.92% to 3.32% percent (December 31, 2023 – 3.10%) and inflation rate of 2.00% (December 31, 2023 – 2.00%). As at December 31, 2024, the total inflated, undiscounted amount of the estimated cash flows required to settle the obligations was \$7.53 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 (2023 – 35 years).

## Westgate Energy Inc.

### Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

As at December 31, 2024, the Company issued a cash collateralized letter of credit of \$499,950 (December 31, 2023 - \$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.

#### 9. PROMISSORY NOTES

On July 27, 2023, the Company closed on a combined debt transaction raising a total of \$1,950,000 in gross proceeds through the issuance of convertible promissory notes. The Company elected to classify and measure the entire instrument at FVTPL. Total debt issuance costs of \$169,845 were expensed in the year.

Interest on the notes commenced on October 27, 2023 and accrues at 1% per month. Up to December 31, 2023, if the Company completed a go-public transaction, the notes were convertible into common shares and one 5-year warrant at the go-public valuation price per common share. On December 31, 2023, the notes were convertible into common shares at \$0.10 per common share if the company had not completed a go-public transaction. A derivative liability of \$60,275 was initially recognized related to the warrant issuable at fair value, and a concurrent debt discount was recognized. This recognition was determined using the Black-Scholes calculations, considering a 40% implied probability, 5.25 years to exercise, and risk-free rate of 3.66%. The debt discount of \$60,275 was unwound during 2023 and recorded as an expense. The warrant option expired on December 31, 2023 since the go-public transaction had not been completed.

On December 31, 2023, the \$1,950,000 of the principal amount of notes and \$42,312 of the related interest were converted into an aggregate of 19,923,120 common shares at \$0.10 common per share.

#### 10. 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, for the years:

	Year Ended		Year Ended	
	December 31, 2024		December 31, 2023	
	Shares	Amount	Units	Amount
Balance, beginning of year (pre-consolidation)	89,923,120	7,974,208	4,000,000	1,000
Shares issued as part of private placement	-	-	3,500,000	70,000
Shares issued as part of private placement	-	-	62,500,000	6,250,000
Shares issued as part of note conversion (Note 9)	-	-	19,923,120	1,992,312
Share cancellation - Grafton	(89,923,120)	-	-	-
Issuance of shares - Grafton Conversion	30,963,659	-	-	-
Issuance of shares - non-brokered	7,770,496	2,442,283	-	-
Issuance of shares - brokered	8,379,009	3,135,049	-	-
Issuance of shares - pre-RTO (Note 5)	3,214,887	934,461	-	-
Share issue costs	-	(385,941)	-	(339,104)
Balance, end of year	50,328,051	14,100,060	89,923,120	7,974,208

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 \$2,442,283 and warrants of \$942,722.
- 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 \$3,135,049 and warrants of \$515,036.
- 3,214,887 Shares, with an estimated fair value of \$934,461, continued to be held by pre-RTO shareholders of the Company.

Unit issuance costs incurred of \$496,418 included \$480,191 of cash expenses incurred and \$16,227 related to the estimated fair value of broker commission warrants issued. The costs were allocated to shares of \$385,941 and warrants of \$110,477.

In February 2023, the Company completed a share split of 400:1 resulting in the total number of Shares issued and outstanding increasing from 10,000 Shares to 4,000,000 Shares.

**Westgate Energy Inc.****Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023****(Expressed in Canadian Dollars)**

In February 2023, the Company closed an equity transaction raising a total of \$70,000 valued at \$0.02 per Share for an additional 3,500,000 Shares. Share issuance costs of \$2,122 were incurred.

In May 2023, the Company closed a private placement equity transaction raising a total of \$6,250,000 valued at \$0.10 per Share for an additional 62,500,000 Shares, of which \$5,698,500 of the proceeds were subscribed to in the first quarter of 2023 and the remaining were subscribed to in the second quarter of 2023. Share issuance costs of \$336,982 were incurred.

On December 31, 2023, the \$1,950,000 of the principal amount of notes and \$42,312 of the related interest were converted into an aggregate of 19,923,120 Shares at \$0.10 common per share (Note 9).

**Warrants**

	Year Ended December 31, 2024		Year Ended December 31, 2023	
	Units	Amount	Units	Amount
Balance, beginning of year	-	-	-	-
Issuance of warrants - non-brokered	7,770,496	942,722	-	-
Issuance of warrants - brokered	8,379,009	515,036	-	-
Issuance of warrants - commission	335,563	16,227	-	-
Warrant issue costs	-	(110,477)	-	-
Balance, end of year	16,485,068	1,363,508	-	-

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

- 7,770,496 warrants were issued in conjunction with the non-brokered private placement with an exercise price of \$0.44 per warrant and estimated fair value of \$0.12 per warrant, expiring May 23, 2029. The fair value of the warrants on the grant date was estimated using a share price of \$0.32 per Share, a risk-free interest rate of 3.68%, an expected volatility of 50% and expected life of 5 years.
- 8,379,009 warrants were issued in conjunction with the brokered private placement with an exercise price of \$0.58 per warrant and estimated fair value of \$0.06 per warrant, expiring May 23, 2026. The fair value of the warrants on the grant date was estimated using a share price of \$0.38 per Share, a risk-free interest of 4.21%, an expected volatility of 50% and an expected life was 2 years.
- 335,563 warrants were issued in conjunction with 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 on the grant date was estimated using a share price of \$0.29 per Share, a risk-free interest of 4.21%, an expected volatility of 50% and an expected life was 2 years.

The fair value of all the warrants was determined using the Black-Scholes option valuation model.

As at December 31, 2024, none of the warrants are exercisable, their weighted average exercise price was \$0.51 per warrant and weighted average remaining life was 2.8 years.

**11. 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:

	Year Ended December 31, 2024		Year Ended December 31, 2023	
	Outstanding	Exercisable	Outstanding	Exercisable
RSUs	1,674,000	-	-	-
DSUs	126,000	-	-	-
Cash-settled units	1,800,000	-	-	-
Share options - equity-based units	3,600,000	-	-	-
Total stock-based compensation units	5,400,000	-	-	-

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.

**Westgate Energy Inc.**
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**
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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. On the date of grant of the options, the estimated stock option fair value of \$0.15/option was determined using a Black Scholes option pricing model using a \$0.28 share price and \$0.30/option exercise price, 65% volatility 2.98% risk-free rate and 5.0 year expected life.

As at December 31, 2024, none of the share options, RSU's nor DSU's are exercisable. The Share options have a weighted average exercise price of \$0.30 per share option. The Share options, RSU's and DSU's all have a weighted average remaining life of 4.6 years.

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

<b>Year Ended</b>	<b>December 31, 2024</b>	December 31, 2023
RSU - cash-settled expense	111,942	-
DSU - cash settled expense	8,426	-
Total - cash-based expense	120,368	-
Share options - equity-based expense	127,448	-
Stock-based compensation expense	247,816	-

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.

	<b>December 31, 2024</b>
Balance, beginning of year	-
RSUs - cash-settled expense	111,942
DSUs - cash-settled expense	8,426
Liabilities settled	-
<b>Balance, end of year</b>	<b>120,368</b>
<b>Presented</b>	
Current	76,008
Long-term	44,360

**12. LOSS PER COMMON SHARE**

<b>Year Ended</b>	<b>December 31, 2024</b>	December 31, 2023
Loss and comprehensive loss for the year	(3,039,998)	(1,722,128)
Weighted average number of shares (basic and diluted)	42,709,274	19,471,777
Basic and diluted loss per share	(0.07)	(0.09)

**13. 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:

<b>Year Ended</b>	<b>December 31, 2024</b>	December 31, 2023
Oil	3,234,218	711,510
Gas	198,401	356,635
NGLs	126,409	118,299
Total petroleum and natural gas sales	3,559,028	1,186,444
Royalties	(415,546)	(176,127)
Total revenue, net of royalties	3,143,482	1,010,317

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
**(Expressed in Canadian Dollars)**

**14. EXPENSES**

**a) General and administrative (“G&A”)**

<b>Year Ended</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Salary and consulting fees	1,488,314	1,043,097
Rent	130,587	92,878
Software and I.T.	168,974	104,780
Professional fees	131,204	189,179
Office and other expenses	432,504	26,664
Gross G&A	2,351,583	1,456,598
Capitalized G&A	(242,500)	-
Net G&A	2,109,083	1,456,598

**b) Finance expense:**

<b>Year Ended</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Accretion of decommissioning obligations (Note 8)	93,316	59,229
Unwinding of debt discount	-	60,275
Debt issues costs (Note 9)	-	169,845
Promissory note interest (Note 9)	-	42,312
Other interest	7	-
Total finance expense	93,323	331,661

**15. TAX**

**a) Tax expense:**

The provision for income taxes reflects an effective tax rate which differs from Federal and Provincial statutory tax rates. The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to income before income tax expense as follows:

<b>Year Ended</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Loss before tax	(3,039,998)	(1,722,128)
Canadian statutory rate	23%	23%
Expected tax expenses at statutory rates	(699,200)	(396,089)
Effect on tax of:		
Non-deductible expense and other	15,432	(11,776)
Unrecognized deferred tax asset	683,768	407,865
Deferred tax expense	-	-

**b) Deferred tax asset (liability):**

As at December 31, 2024 and 2023, no deferred tax asset (liability) has been recognized.

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Deferred tax assets (liabilities)		
E&E and P&E	(881,111)	(760,290)
Decommissioning obligations	752,225	653,501
Non-capital loss carryforwards	128,886	106,789
Deferred tax asset	-	-

**Westgate Energy Inc.****Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023****(Expressed in Canadian Dollars)****c) Unrecognized deductible temporary differences**

As at December 31, 2024 and 2023, the Company has the following unrecognized deductible temporary differences and unused losses for which no deferred tax asset has been recognized:

	December 31, 2024	December 31, 2023
Share issuance costs	587,615	271,283
Debt issuance costs	101,907	135,876
Non – capital loss carryforwards	4,877,700	1,706,971
<b>Total</b>	<b>5,567,222</b>	<b>2,114,130</b>

The non-capital loss carry-forwards will expire in future periods if not utilized, subject to provisions of the Income Tax Act of Canada that may limit the Company's ability to utilize these losses.

**16. RELATED PARTY TRANSACTIONS**Shareholder Loan, Rent and Broker Fees

During prior years, Grafton Ventures Inc., the primary shareholder of the Company, advanced \$93,999 to Grafton. This shareholder loan did not bear interest and did not include any repayment terms. During the year ended December 31, 2023, the shareholder loan of \$93,999 was repaid to Grafton Ventures Inc. in its entirety. During 2024, the Company paid \$130,587 for office rent to a company controlled by a director of Westgate (2023 - \$92,878). During 2024, the Company paid \$104,347 for facilitation and broker fees related to the EMS agreement to a company controlled by a director of Westgate. In the event of a transfer of specified mineral rights on EMS and the subsequent execution of a farmout agreement, the Company has agreed to issue common shares to a company controlled by a director. Additionally, a 2% Gross Overriding Royalty ("GORR") will be granted on all wells drilled on the specified lands. The Company retains the option to repurchase the GORR, payable in common shares. As at December 31, 2024, the occurrence of these future events remained uncertain, and no provision has been recognized.

Key Management Personnel compensation

Westgate has determined that the Company's key management personnel consist of the Company's directors, officers and vice presidents. The compensation and other benefits paid to key management personnel are as follows:

Year Ended	December 31, 2024	December 31, 2023
Salaries, benefits and consulting fees	785,000	528,450
Termination benefits	-	84,500
Stock-based compensation	209,404	
<b>Total Key Management Compensation</b>	<b>994,404</b>	<b>612,950</b>

**17. COMMITMENTS**

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

**18. CAPITAL STRUCTURE**

As at December 31, 2024, the Company's capital structure is comprised of working capital and shareholder's equity (deficit). The significant components of the Company's capital structure are summarized below:

As at	December 31, 2024	December 31, 2023
Working capital <sup>(1)</sup>	124,306	2,462,998
Shareholder's equity	10,812,315	6,235,505

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

**Westgate Energy Inc.****Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023****(Expressed in Canadian Dollars)**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 December 31, 2024, and December 31, 2023, the Company's capital structure was not subject to any banking covenants. No changes were made to the capital policy as at December 31, 2024. The Company will continue to actively monitor its working capital balances and deploy capital prudently to maximize its liquidity position.

**19. SUPPLEMENTAL CASH FLOW INFORMATION**

<b>Year Ended</b>	<b>December 31, 2024</b>	December 31, 2023
<b>Change in:</b>		
Accounts receivable	<b>(49,674)</b>	(319,550)
Secured note receivable	<b>(230,000)</b>	-
Deposit and prepaid expenses	<b>(22,689)</b>	(23,152)
Inventory	<b>(7,506)</b>	(43,698)
Account payable and accrued liabilities	<b>(434,134)</b>	1,560,955
Other liabilities	<b>76,008</b>	-
Other non-cash items affecting working capital:		
Non-cash working capital acquired (Note 5)	<b>64,416</b>	-
Other liabilities	<b>44,360</b>	-
	<b>(559,219)</b>	1,174,555
<b>Related to:</b>		
Operating activities	<b>373,237</b>	(113,909)
Investing activities	<b>(932,456)</b>	1,288,464

**20. SUBSEQUENT EVENTS**

The Company secured additional funding subsequent to December 31, 2024:

Insider Private Placement

On March 7, 2025, the Company closed a non-brokered private placement offering of 700 units of the Company (the "2025 Private Placement Units") to Art Agolli, a director of the Company, at a price of \$1,000 per unit for gross proceeds of \$700,000 (the "2025 Private Placement"). Each 2025 Private Placement Unit was comprised of \$1,000 principal amount of convertible unsecured subordinated debentures of the Company (the "2025 Convertible Debentures") and 285 Share purchase warrants. The 2025 Convertible Debentures are convertible at the election of the holder into Shares at a conversion price of \$0.25 until August 28, 2025, and each warrant entitles the holder to acquire one Share at an exercise price of \$0.27 until March 7, 2026. The proceeds from the 2025 Private Placement were used to fund the deposit required under the Moonshine Acquisition.

ATB Facility

Subsequent to December 31, 2024, the Westgate secured a \$1.0 million revolving operating loan with ATB Financial (the "ATB Facility"). The ATB Facility is repayable on demand, are available for borrowing and are guaranteed by Westgate Energy Operations Ltd. (a wholly owned subsidiary of the Company) and secured by a lien over all present and after acquired property of Westgate and Westgate Energy Operations Ltd. The commitment letter amends and restates the prior commitment letter between ATB Financial and Westgate Energy Operations Ltd. The ATB Facility is to be used for the Company's general corporate purposes, including managing working capital, but excluding capital expenditures and acquisitions.

**Westgate Energy Inc.**  
**Notes to the consolidated financial statements for the year ended December 31, 2024 and 2023**  
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Private Placement

On April 2, 2025, Westgate closed a best-efforts public offering of 16,541,267 units of the Company (the “2025 Public Units”) at a price of \$0.15 per unit for aggregate gross proceeds of approximately \$2.5 million (the “2025 Public Offering”). The 2025 Public Offering was led by Haywood Securities Inc. as the sole agent and bookrunner. Each 2025 Public Unit was comprised of one Share and one Share purchase warrant. Each warrant entitles the holder thereof to acquire one Share at an exercise price of \$0.24 until April 2, 2027. Haywood Securities Inc. was granted an over-allotment option to offer for sale up to an additional 6,000,000 2025 Public Units (up to additional gross proceeds of \$900,000), which over-allotment option is exercisable until May 2, 2025. In connection with the 2025 Public Offering, Haywood Securities Inc. was issued 918,022 non-transferable compensation options of the Company. Each compensation option entitles the holder to acquire one Share at an exercise price of \$0.15 until April 2, 2027. The Company intends to use the net proceeds of the 2025 Public Offering to fund the Moonshine Acquisition and for general corporate purposes.

Senior Secured Loan

On April 3, 2025, Westgate closed a first lien senior secured loan for up to US\$25 million (the “Senior Secured Loan”) from Cibolo Energy Partners, LLC and certain of its affiliates (“Cibolo”), a Houston based firm focused on energy investment opportunities. Westgate entered into a first lien senior secured credit agreement with Cibolo, providing for a multi-draw, non-revolving term loan facility of a maximum aggregate principal amount of up to US\$25.0 million. Westgate has made an initial draw of US\$10.0 million. An additional US\$10.0 million has been committed and remains available for draw. Additional commitments are subject to further approval by Cibolo. The Senior Secured Loan carries an interest rate due quarterly of SOFR plus 7.75%, with an SOFR floor of 4.25%, and will mature on April 3, 2029. Based on the current SOFR rate, the initial interest rate will be approximately 12.04%. Westgate Energy Operations Ltd. has guaranteed the Senior Secured Loan. In connection with the Senior Secured Loan, Cibolo was issued 24,343,659 non-transferable Share purchase warrants. Each warrant entitles the holder to acquire one Share at an exercise price equal to \$0.21 until April 3, 2030. The Company intends to use the Senior Secured Loan to fund drilling on its Beaverdam and Moonshine Assets.

Acquisition

On March 7, 2025, Westgate entered into an asset purchase and sale agreement with an arm’s length, large, well-financed private oil and gas company for the strategic acquisition of Mannville Stack focused assets in East-Central Alberta near Frog Lake (the “Moonshine Assets”) for total consideration of \$7.0 million, subject to customary adjustments (the “Moonshine Acquisition”). The Company’s net cost for the Moonshine Acquisition is expected to be approximately \$5.7 million and the Moonshine Acquisition is expected to close in June 2025. The Moonshine Acquisition is subject to, among other things, customary closing conditions, including the accuracy of representations and warranties, the performance of covenants in the definitive agreements and obtaining certain governmental and third-party approvals and the Company entering into a master development agreement with the Metis Settlement at Moonshine with respect to the Moonshine Assets.