Grafton Ventures Energy Holdings Corp.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

As at March 31, 2024 and December 31, 2023
and
for the three months ended 2024 and 2023

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Grafton Ventures Energy Holdings Corp.

Interim Condensed Statements of Financial Position

(Canadian dollars)	Note	**As at March 31, 2024**	As at December 31, 2023
Assets		**(Unaudited)**	
Current assets			
Cash	4	**1,321,040**	3,675,427
Accounts receivable	4	**575,679**	378,532
Deposits and prepaid expenses		**307,322**	51,110
Inventory		**22,061**	43,698
		2,226,102	4,148,767
Non-current assets			
Restricted cash	6	**499,950**	-
Exploration and evaluation		**20,000**	20,000
Property and equipment	5	**6,832,582**	6,593,814
Total assets		**9,578,634**	10,762,581
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Accounts payable and accrued liabilities	4	**1,414,315**	1,685,769
		1,414,315	1,685,769
Non-current liabilities			
Decommissioning obligations	6	**2,713,638**	2,841,307
Total liabilities		**4,127,953**	4,527,076
Shareholders' equity			
Share capital		**7,974,208**	7,974,208
Accumulated deficit		**(2,523,527)**	(1,738,703)
Total shareholders' equity		**5,450,681**	6,235,505
Total liabilities and shareholders' equity		**9,578,634**	10,762,581

Subsequent events (note 14)

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

Approved on behalf of the Board of Directors:

[signed] "*Richard Grafton*"

Richard Grafton, Director

[signed] "*Dan Brown*"

Dan Brown, Director

Grafton Ventures Energy Holdings Corp.

Interim Condensed Statements of Loss and Comprehensive Loss

(Canadian dollars)	Note	Three months ended March 31, **2024**	2023
		(Unaudited)	(Unaudited)
Revenues			
Petroleum and natural gas sales	8	**730,788**	118,441
Royalties	8	**(71,888)**	(22,283)
Petroleum and natural gas sales, net of royalties		**658,900**	96,158
Processing revenue		**364**	-
Total revenue, net of royalties		**659,264**	96,158
Expenses			
Operating and transportation		**382,668**	43,821
General and administrative		**855,222**	87,356
Depletion and depreciation	5	**208,241**	6,574
Finance expense	9	**21,960**	1,257
Total expenses		**1,468,091**	139,008
Other			
Interest income		**24,003**	-
Total other		**24,003**	-
Loss and comprehensive loss		**(784,824)**	(42,850)
Loss per common share			
Basic and diluted	7	**(0.01)**	(0.01)

See accompanying notes to the interim condensed financial statements.

Grafton Ventures Energy Holdings Corp.

Interim Condensed Statements of Changes in Shareholders' Equity (Deficit)

(Canadian dollars)	Note	Three months ended March 31, 2024	2023
		(Unaudited)	(Unaudited)
Share capital			
Balance, beginning of period		**7,974,208**	1,000
Issuance of common shares		**-**	6,018,500
Share issue costs		**-**	(206,108)
Balance, end of the period		**7,974,208**	5,813,392
Accumulated deficit			
Balance, beginning of period		**(1,738,703)**	(16,574)
Net loss and comprehensive loss		**(784,824)**	(42,849)
Balance, end of the period		**(2,523,527)**	(59,423)
Total shareholders' equity		**5,450,681**	5,753,969

See accompanying notes to the interim condensed financial statements.

Grafton Ventures Energy Holdings Corp.

Interim Condensed Statements of Cash Flows

(Canadian dollars)	Note	Three months ended March 31, 2024	2023
		(Unaudited)	(Unaudited)
Operating activities			
Loss and comprehensive loss		**(784,824)**	(42,850)
Items not affecting cash:			
Depletion and depreciation	5	**208,241**	6,574
Accretion of decommissioning obligations	6	**21,960**	1,257
Settlements of decommissioning provisions	6	**(3,434)**	-
Net change in non-cash working capital	13	**(2,264,187)**	220,122
Cash flows provided by (used in) operating activities		**(2,822,244)**	185,103
Financing activities			
Issuance of share capital		**-**	6,018,500
Share issuance cost		**-**	(206,108)
Shareholder loan		**-**	(93,999)
Net change in non-cash working capital	13	**11,510**	(5,698,500)
Cash flows provided by financing activities		**11,510**	19,893
Investing activities			
Property and equipment expenditures	5	**(593,204)**	-
Property and equipment acquisitions		**-**	(6,000)
Net change in non-cash working capital	13	**1,549,501**	-
Cash flow provided by (used in) investing activities		**956,297**	(6,000)
Increase (decrease) in cash during the period		**(1,854,437)**	198,996
Cash – beginning of period		**3,675,427**	83,245
Cash – end of period		**1,820,990**	282,241
Presented as:			
Cash and cash equivalents		**1,321,040**	282,241
Restricted cash		**499,950**	-
Cash interest paid		**-**	-
Cash interest received		**24,003**	-

See accompanying notes to the interim condensed financial statements.

1. REPORTING ENTITY

Grafton Ventures Energy Holdings Corp. ("Grafton" or "the Company") is an oil, natural gas and natural gas liquids ("NGL" or "NGLs") exploration, development and production company with properties located in Western Canada. Grafton was incorporated on March 8, 2021, under the Business Corporations Act (Alberta).

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

2. BASIS OF PRESENTATION

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

The interim condensed financial statements have been prepared using the same accounting policies and methods as the audited financial statements for the year ended December 31, 2023 except disclosed in Note 3. There were no changes to the Company's operating segments during the period. The interim condensed financial statements are presented in Canadian dollars which is the functional currency of the Company.

These unaudited interim condensed financial statements were authorized for issue by the Board of Directors, on May 29, 2024.

3. SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements.

IAS 1 –Presentation of Financial Statements

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

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments of the Company include cash, accounts receivable and accounts payable and accrued liabilities 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.

As at March 31, 2024 and December 31, 2023, the carrying amounts reported on the interim condensed statement of financial position approximated the estimated fair values of financial instruments due to the short terms to maturity.

Risks associated with financial assets and liabilities

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

Credit risk

The maximum exposure to credit risk is as follows:

(Canadian dollars)	**March 31, 2024**	December 31, 2023
Cash	**1,321,040**	3,675,427
Accounts receivable		
Oil and natural gas customers	**243,534**	107,159
Oil and gas operators	**20,821**	58,413
Government receivable-GST	**311,324**	202,460
Other receivable	**-**	10,500
	1,896,719	4,053,959

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

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

Grafton 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 Grafton have been negligible and the Company does not anticipate any significant future credit losses based on forward looking information.

Liquidity risk

The timing of cash outflows relating to non-derivative financial liabilities as at March 31, 2024 are as follows:

	Less than one year	One to three years	Total
Accounts payable and accrued liabilities	1,414,315	-	1,414,315

Liquidity risk is the risk that Grafton will not be able to meet all of its financial obligations when they become due. The Company actively manages its liquidity through carrying cash on hand, cost controls, loans and share insurance. Such strategies include continuously monitoring forecast and actual cash flows and financing activities. The nature of the oil and gas industry is very capital intensive. As a result, the Company prepares annual capital expenditure budgets and utilizes authorizations for expenditures for projects to manage capital expenditures.

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 natural gas and NGL sales are denominated in Canadian dollars. However, the underlying market prices in Canada for natural gas and NGLs are impacted by changes in the exchange rate between the Canadian and United States dollar.

ii) Commodity price risk

The Company is exposed to the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The reference price for buyers and sellers of crude oil relevant to Note 8 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"). Grafton manages this exposure through its capital programs and production levels to maximize the value of recoverable resources.

iii) Interest rate risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance at March 31, 2024 of $1.3 million (December 31, 2023 - $3.7 million) from a 1.0% change in interest rates, would have an annualized impact of approximately $13,200 (December 31, 2023 - $36,700).

5. PROPERTY AND EQUIPMENT ("P&E")

The Company's property and equipment 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 reconcile the movements in the cost and accumulated depletion and depreciation during the three months ended March 31, 2024.

	Oil and gas properties	**Other assets**	**Net carrying value**
Balance at December 31, 2023	6,588,065	5,749	6,593,814
Additions	593,204	-	593,204
Change in ARO cost estimate (Note 6)	(146,195)	-	(146,195)
Depletion and depreciation	(207,922)	(319)	(208,241)
Balance at March 31, 2024	**6,827,152**	**5,430**	**6,832,582**

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

(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

Impairment test of P&E

The Company identified two CGUs as of March 31, 2024, based on the lowest level at which properties generate cash inflows while applying judgment to consider factors such as similar reserve characteristics, geographical location, and shared infrastructure. At March 31, 2024, the Company determined that there were no impairment indicators on the Company's CGUs.

6. DECOMMISSIONING OBLIGATIONS

Balance at December 31, 2023	**2,841,307**
Settlements of decommissioning provisions	**(3,434)**
Change in estimate	**(146,195)**
Accretion (Note 9)	**21,960**
Balance at March 31, 2024	**2,713,638**

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 of 3.45% percent (December 31, 2023 – 3.10%) and inflation rate of 2.00% (December 31, 2023 – 2.00%). As at March 31, 2024, the total inflated, undiscounted amount of the estimated cash flows required to settle the obligations was $4.74 million (December 31, 2023 – $4.75 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 35 years.

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

7. LOSS PER COMMON SHARE

	Three Month Ended March 31, 2024	Three Month Ended March 31, 2023
Loss and comprehensive loss for the period	**(784,824)**	(42,850)
Weighted average number of Shares (basic and diluted)	**89,923,120**	4,000,000
Basic and diluted loss per Share	**(0.01)**	(0.01)

8. 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:

	Three Month Ended March 31, 2024	Three Month Ended March 31, 2023
Oil	**615,264**	-
Gas	**85,644**	87,805
NGLs	**29,880**	30,736
Total petroleum and natural gas sales	**730,788**	118,441
Royalties	**(71,888)**	(22,283)
Total revenue, net of royalties	**658,900**	96,158

9. FINANCE EXPENSE

	Three Month Ended March 31, 2024	Three Month Ended March 31, 2023
Accretion of decommissioning obligations (Note 6)	**21,960**	1,257
Total finance expense	**21,960**	1,257

(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

10.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:

	Three Month Ended March 31, 2024	Three Month Ended March 31, 2023
Loss before tax	**(784,824)**	(42,849)
Canadian statutory rate	**23%**	23%
Expected tax expenses at statutory rates	**(180,510)**	(9,855)
Effect on tax of:		
Non-deductible expense and other	**(1,093)**	-
Unrecognized deferred tax asset	**181,603**	9,855
Deferred tax expense	**-**	-

b) Deferred tax asset (liability):

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

	March 31, 2024	December 31, 2023
Deferred tax assets (liabilities)		
Exploration and evaluation	**(4,600)**	(4,600)
Property and equipment	**(742,716)**	(755,690)
Decommissioning obligations	**622,156**	653,501
Non–capital loss carryforwards	**125,160**	106,789
Deferred tax asset	**-**	**-**

c) Unrecognized deductible temporary differences

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

	March 31, 2024	December 31, 2023
Share issuance costs	**254,374**	271,283
Debt issuance costs	**127,407**	135,876
Non – capital loss carryforwards	**2,200,166**	1,706,971
Total	**2,581,947**	2,114,130

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.

11.COMMITMENTS

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

12. CAPITAL STRUCTURE

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

As at	March 31, 2024	December 31, 2023
Working capital[(1)]	**811,787**	2,462,998
Shareholder's equity	**5,450,681**	6,235,505

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

Capital Management

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

(Unaudited, all tabular amounts in Canadian dollars, unless otherwise indicated)

At March 31, 2024, the Company's capital structure was not subject to any banking covenants. No changes were made to the capital policy as at March 31, 2024. The Company will continue to actively monitor its working capital balances and deploy capital prudently to maximize its liquidity position.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Month Ended March 31, 2024	Three Month Ended March 31, 2023
Change in:		
Accounts receivable	**(197,147)**	(5,702,767)
Deposits and prepaid expenses	**(256,212)**	(21,847)
Inventory	**21,637**	-
Account payable and accrued liabilities	**(271,454)**	246,236
	(703,176)	(5,478,378)
Related to:		
Operating activities	**(2,264,187)**	220,122
Financing activities	**11,510**	-
Investing activities	**1,549,501**	(5,698,500)

14. SUBSEQUENT EVENTS

On May 23, 2024 Westgate Energy Inc. (formerly 763997 Alberta Ltd.) ("Westgate") completed its business combination transaction pursuant to which the Westgate and Grafton Ventures Energy Holdings Corp. ("Grafton") combined their respective businesses (the "Transaction"). and Grafton became a wholly owned subsidiary of the Resulting Issuer. In connection with the Transaction:

- Westgate completed the consolidation of its common shares on a 40-for-1 basis;
- Grafton completed a non-brokered private placement of 22,566,702 units, comprised of 22,566,702 common shares in the capital of Grafton ("Grafton Shares") and 22,566,702 Grafton Share purchase warrants, for aggregate gross proceeds of $3,385,005;
- each subscription receipt of Grafton issued pursuant to its brokered private placement for aggregate gross proceeds of $3,650,085 was converted into one Grafton Share and one Grafton Share purchase warrant and the proceeds therefrom were released from escrow;
- each Grafton Share and Grafton Share purchase warrant was exchanged for 0.34433507 common shares in the capital of the Corporation ("Resulting Issuer Shares") and 0.34433507 Resulting Issuer Share purchase warrants, respectively;
- Westgate issued 547,090 Resulting Issuer Shares to certain former directors and officers of the Corporation pursuant to compensation settlement agreements; and
- Westgate, as the resulting issuer (the "Resulting Issuer"), will continue the business of Grafton and has changed its name from "763997 Alberta Ltd." to "Westgate Energy Inc.".

Subject to receiving final acceptance from the TSX Venture Exchange (the "TSXV"), the Resulting Issuer Shares are expected to resume trading under the symbol "WGT" shortly after all filing requirements are met. The Transaction resulted in the issuance of 47,660,238 Resulting Issuer Shares at a deemed price per share of $0.44.

The board of directors of Westgate now consists of Richard Grafton, Daniel Brown, Kelly Ogle and Artan Agolli. The senior management team of Westgate now consists of Daniel Brown, Nicholas Grafton and Jordan Kevol.