



CANASIA ENERGY CORP.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023**

(Unaudited)

CanAsia Energy Corp.
Consolidated Statements of Financial Position
(Unaudited)

	September 30, 2023	December 31, 2022
(\$000s)		
Assets		
Current		
Cash and cash equivalents	5,651	9,086
Restricted cash	58	58
Accounts receivable and prepaid expenses	309	216
	6,018	9,360
Right-of-use asset	25	22
Deposits (note 5)	882	852
Intangible asset (note 3)	337	366
Total assets	7,262	10,600
Liabilities		
Current		
Accounts payable and accrued liabilities	2,946	3,029
Lease liabilities	27	18
Natural gas pipeline tariff provision (note 4)	261	-
Decommissioning provision (note 5)	689	943
	3,923	3,990
Deferred tax liabilities	-	22
Natural gas pipeline tariff provision (note 4)	693	-
Decommissioning provision (note 5)	1,250	1,460
Total liabilities	5,866	5,472
Shareholders' equity		
Share capital (note 6)	6,980	6,980
Contributed surplus	191	96
Non-controlling interest (note 1)	-	(1,796)
Deficit	(5,775)	(152)
Total shareholders' equity	1,396	5,128
Total liabilities and shareholders' equity	7,262	10,600

See accompanying notes to the interim condensed consolidated financial statements.

CanAsia Energy Corp.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	Period from May 27, 2022 to September 30,
(\$000s, except per share amounts)	2023	2022	2023	2022
Expenses (Income)				
General and administrative	551	217	1,560	217
Operating expense	110	36	345	36
Natural gas pipeline tariff provision (note 4)	(15)	-	886	-
Stock-based compensation	28	3	95	3
Amortization (note 3)	16	4	48	4
Decommissioning recovery (note 5)	(417)	(73)	(410)	(73)
Gain on sale of equipment (note 3)	-	-	(100)	-
Finance income	(67)	(7)	(223)	(7)
Foreign exchange gain	(38)	(308)	(43)	(308)
	168	(128)	2,158	(128)
Income (loss) before taxes and non-controlling interest	(168)	128	(2,158)	128
Taxes				
Deferred income tax expense (recovery)	-	90	(22)	90
Net income (loss) and comprehensive income (loss)	(168)	38	(2,136)	38
Net income (loss) attributable to:				
Common shareholders (note 6)	(168)	55	(2,109)	55
Non-controlling interest (note 1)	-	(17)	(27)	(17)
Net income (loss)	(168)	38	(2,136)	38
Total comprehensive income (loss) attributable to:				
Common shareholders (note 6)	(168)	55	(2,109)	55
Non-controlling interest (note 1)	-	(17)	(27)	(17)
Total comprehensive income (loss)	(168)	38	(2,136)	38
Basic and diluted - net income (loss) attributed to common shareholders (note 6)	\$ (0.00)	\$ 0.00	\$ (0.04)	\$ 0.00

See accompanying notes to the interim condensed consolidated financial statements.

CanAsia Energy Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(\$000s)	Share Capital	Contributed Surplus	NCI	Equity (Deficit)	Total
Balance as at May 27, 2022	-	-	-	-	-
Issued under the Arrangement (note 1)	6,980	-	(1,186)	-	5,794
Net income (loss)	-	-	(17)	55	38
Stock-based compensation	-	3	-	-	3
Balance as at September 30, 2022	6,980	3	(1,203)	55	5,835
Balance as at December 31, 2022	6,980	96	(1,796)	(152)	5,128
Net loss	-	-	(27)	(2,109)	(2,136)
Transaction affecting non-controlling interest (note 1)	-	-	1,823	(3,514)	(1,691)
Stock-based compensation	-	95	-	-	95
Balance as at September 30, 2023	6,980	191	-	(5,775)	1,396

See accompanying notes to the interim condensed consolidated financial statements.

CanAsia Energy Corp.
Consolidated Statements of Cash Flows
(Unaudited)

(\$000s)	Three Months Ended September 30, 2023	2022	Nine Months Ended September 30, 2023	Period from May 27, 2022 to September 30, 2022
Cash Provided From (Used in)				
Operating Activities				
Net income (loss)	(168)	38	(2,136)	38
Adjustments for non-cash items:				
Deferred income tax expense (recovery)	-	90	(22)	90
Amortization (note 3)	16	4	48	4
Stock-based compensation	28	3	95	3
Accretion	58	4	125	4
Decommissioning recovery	(417)	(73)	(410)	(73)
Gain on sale of equipment (note 3)	-	-	(100)	-
Unrealized foreign exchange loss (gain)	(50)	(500)	211	(500)
Natural gas pipeline tariff provision (note 4)	(15)	-	886	-
Deposit	(11)	-	(30)	-
Settlement of natural gas pipeline tariff provision	(23)	-	(23)	-
Changes in non-cash working capital	101	331	(262)	331
Cash flow used in operating activities	(481)	(103)	(1,618)	(103)
Investing Activities				
Purchase of minority shares of Andora (note 1)	(1)	-	(1,692)	-
Proceeds from sale of equipment (note 3)	-	-	100	-
Cash flow used in investing activities	(1)	-	(1,592)	-
Financing Activities				
Cash received under the Arrangement (note 1)	-	9,319	-	9,319
Lease payments	(2)	-	(14)	-
Cash flow from (used in) financing activities	(2)	9,319	(14)	9,319
Change in cash and cash equivalents	(484)	9,216	(3,224)	9,216
Effect of foreign exchange on cash and cash equivalents	51	498	(211)	498
Cash and cash equivalents, beginning of period	6,084	-	9,086	-
Cash and cash equivalents, end of period	5,651	9,714	5,651	9,714

See accompanying notes to the interim condensed consolidated financial statements.

1) CORPORATE INFORMATION AND GOING CONCERN

CanAsia Energy Corp. ("CanAsia" or the "Company") is a Canadian publicly listed junior oil and gas company. It was incorporated by Pan Orient Energy Corp. ("Pan Orient") pursuant to the Alberta Business Corporations Act on May 27, 2022. On August 25, 2022, Pan Orient completed an arrangement (the "Arrangement") that resulted in a third party acquiring Pan Orient (including its Thailand operations), and Pan Orient's Canadian assets (including its interests in Andora Energy Corporation ("Andora") and discontinued Indonesia operations of Pan Orient being acquired by CanAsia. The CanAsia common shares began trading on the TSX Venture Exchange on August 29, 2022, under the stock trading symbol CEC. The records office and principal address of the Company is located at 1505, 505 – 3rd Street S.W., Calgary, Alberta, T2P 3E6.

Andora Transaction

On February 28, 2023, the board of directors of Andora accepted a formal proposal made by CanAsia with respect to a transaction (the "Andora Transaction") whereby the outstanding shares of Andora were consolidated (the "Consolidation"); and all fractional shares resulting from the Consolidation were redeemed by Andora and cancelled, and the holders thereof would be entitled to receive a cash redemption payment of \$0.044 for each pre-Consolidation share of Andora. As part of the Andora Transaction all issued and outstanding options to acquire shares of Andora were surrendered for their "in-the-money" value.

The Andora Transaction was approved by shareholders of Andora at a special meeting held on March 27, 2023. All other conditions to the Andora Transaction becoming effective were also satisfied or waived, and the Andora Transaction was completed on March 27, 2023. As a result of the Andora Transaction, Andora now has 1 common share outstanding. CanAsia, which previously owned 88.2% of the outstanding shares of Andora as at December 31, 2022, now owns 100% of Andora. Non-controlling interest was reduced to \$nil on March 27, 2023, with a corresponding offset to deficit.

Consideration paid for redeeming fractional shares pursuant to the Andora Transaction amounted to \$1.24 million. Andora paid former option holders a total of \$0.33 million, representing the "in-the-money" value of all the options surrendered. Other expenses of the Andora Transaction totaled \$0.12 million.

Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

CanAsia does not have producing oil and gas properties or an established source of revenue, resulting in the use of cash in operations of \$1.6 million during the first nine months of 2023 and a decrease in the working capital (current assets less current liabilities) to \$2.1 million as at September 30, 2023. CanAsia continues to evaluate international oil and gas concessions and the potential to restart production at the Sawn Lake, Alberta heavy oil property which would require funds to pursue. In addition, CanAsia will continue to need funds to support general corporate activities, general and administrative costs and the ongoing maintenance of the Sawn Lake property. The amount and timing of the capital required to fund the ongoing obligations of CanAsia, including the development of Sawn Lake and/or the pursuit of international oil and gas concessions, is not known. However, it is reasonably certain that the amount of capital required is in excess of the working capital currently held by CanAsia.

CanAsia's ability to continue as a going concern is dependent on its ability to raise capital to fund ongoing operations including the development of Sawn Lake and/or pursuit of international oil and gas concessions. The amount of capital required could be material and there are no assurances that the Company will be able to access the necessary funds when required. These facts create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management believes that the going concern assumption is appropriate for these financial statements and that the Company will meet its operating and capital requirements as they arise. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

2) BASIS OF PRESENTATION

Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting".

The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the period ended December 31, 2022. The following disclosures are incremental to those included with the annual consolidated financial statements. Certain disclosures that are normally required in the notes to the annual consolidated financial statements have been condensed or omitted. The interim condensed consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements.

The interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 14, 2023.

3) INTANGIBLE ASSET

A reconciliation of the carrying amount of the intangible asset as at September 30, 2023 is set out below.

(\$000s)	
Cost	
At December 31, 2022 and September 30, 2023	699
Accumulated amortization	
At December 31, 2022	(333)
Amortization	(29)
At September 30, 2023	(362)
Net book value	
At December 31, 2022	366
At September 30, 2023	337

The intangible asset is a patent pertaining to steam related technology and process that the Company anticipates utilizing on its Canadian heavy oil property.

In February 2023, Andora sold equipment to a third party for \$100 thousand. The net book value of the equipment was \$nil, resulting in a gain on sale of \$100 thousand.

4) NATURAL GAS PIPELINE TARIFF PROVISION

The natural gas pipeline tariff agreement which was entered into between Andora and a third party in 2018 with a commencement date of May 1, 2023 was considered an onerous contract as of March 31, 2023 under IAS 37. An onerous contract is one where the unavoidable cost of meeting the obligations under the contract exceeds the economic benefits expected to be received under the contract. The unavoidable cost under a contract should reflect the least net cost of exiting the contract which is the lower of fulfilling the contract and any compensation or failures that may arise from failure to fulfill. The Company has recognized \$1.0 million as the present obligation under this contract as a provision for the net cost of fulfilling the contract.

A reconciliation of the Company's natural gas pipeline tariff provision at September 30, 2023 is set out below.

(\$000s)	Total
At December 31, 2022	-
Initial recognition	901
Revisions to obligations	(15)
Settlement	(23)
Accretion	91
At September 30, 2023	954
Less current portion	(261)
Non-current portion	693

Total undiscounted cash flows less estimated mitigation costs required to settle the Company's natural gas pipeline tariff at Sawm Lake, Alberta were estimated to be \$1.8 million at September 30, 2023. The provision has been reduced by an amount of shipping that is estimated to be used by a third party. Payments to settle the provision will be made over the term of the contract between 2023 and 2031. Estimated costs have been discounted at an interest rate of 20%.

5) DECOMMISSIONING PROVISION AND DEPOSITS

A reconciliation of the Company's decommissioning provision at September 30, 2023 is set out below.

(\$000s)	Canada	Indonesia	Total
At December 31, 2022	1,460	943	2,403
Revisions to obligations	(141)	(269)	(410)
Settlement	-	(79)	(79)
Accretion	33	-	33
Foreign currency translation	-	(8)	(8)
At September 30, 2023	1,352	587	1,939
Less current portion	(102)	(587)	(689)
Non-current portion	1,250	-	1,250

The decommissioning provision is based on the Company's net ownership through subsidiaries of wells and facilities in Indonesia and Canada, management's estimates of costs to abandon and reclaim those wells and facilities and the potential future timing of the costs to be incurred. The Company has discontinued all operations in Indonesia and is working to finalize the abandonment and reclamation obligations in the country. Total undiscounted cash flows, escalated at 1.75% for inflation (December 31, 2022 – 2.09%), required to settle the Company's decommissioning provision are estimated to be \$3.1 million at September 30, 2023 (December 31, 2022 - \$3.6 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2023 and 2040. Estimated costs have been discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred which averaged 3.81% at September 30, 2023 (December 31, 2022 – 3.28%). Revision to obligations for the Canadian and Indonesian provisions are recognized directly in income or loss as decommissioning expense or recovery as the corresponding assets were fully impaired.

Non-current deposits of \$0.9 million at September 30, 2023 consisted of deposits placed with the Alberta Energy Regulator in Canada for the interests of Andora at Sawm Lake (December 31, 2022 - \$0.9 million).

6) SHARE CAPITAL

(a) Authorized

Unlimited Common Shares

(b) Issued and Outstanding Common Shares

	Shares Outstanding	Amount (\$000s)
Balance as at December 31, 2022 and September 30, 2023	49,793,907	6,980

(c) Options to Purchase Common Shares

	Number of Options ⁽¹⁾	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2022 and September 30, 2023	1,675,000	0.23

(1) These options are held by directors, senior management, employee, and consultant of the Company.

Options Outstanding at September 30, 2023				Options Exercisable at September 30, 2023		
Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
0.23	1,675,000	0.23	4.15	558,333	0.23	4.15

(d) Earnings per Share Attributable to Common Shareholders

A reconciliation of the weighted average number of common shares used to calculate net loss per share is as follows:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Weighted average common shares – basic and diluted	49,793,907	49,793,907
Net loss attributable to common shareholders (\$000s)	(168)	(2,109)
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.04)

Options were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

7) CAPITAL MANAGEMENT

The Company's capital consists of the following:

	September 30, 2023	December 31, 2022
(\$000s)		
Current assets	6,018	9,360
Current liabilities	(3,923)	(3,990)
Working capital	2,095	5,370
Shareholders' equity	1,396	5,128

The Company considers its capital structure to include working capital and shareholders' equity. Management is continually monitoring changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas industry. In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs. Refer to note 1.

CanAsia's share capital is not subject to any external restrictions.

8) FINANCIAL INSTRUMENTS

As at September 30, 2023 the following financial instruments were denominated in currencies other than the Canadian dollar:

	September 30, 2023 U.S. dollar (\$000s)	December 31, 2022 U.S. dollar (\$000s)
Cash and cash equivalents	3,107	6,454
Accounts payable and accrued liabilities	(1,988)	(1,956)
Net exposure in foreign currency	1,119	4,498
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	1,513	6,081

(1) Translated at period end exchange rates.

Based on financial instruments held at September 30, 2023, fluctuations in the exchange rates as indicated below would have the following estimated effect on net income (loss) and comprehensive income (loss):

	Nine Months Ended September 30, 2023
(\$000s)	
Effect of 1% increase in USD to CAD exchange rate:	
Pre-tax net income	15



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