



CANASIA ENERGY CORP.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

(Unaudited)

CanAsia Energy Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

(\$000s)	March 31, 2023	December 31, 2022
Assets		
Current		
Cash and cash equivalents	7,312	9,086
Restricted cash	58	58
Accounts receivable and prepaid expenses	198	216
	7,568	9,360
Right-of-use asset	15	22
Deposits (note 5)	861	852
Intangible asset (note 3)	356	366
Total assets	8,800	10,600
Liabilities		
Current		
Accounts payable and accrued liabilities	3,330	3,029
Lease liabilities	16	18
Natural gas pipeline tariff provision (note 4)	188	-
Decommissioning provision (note 5)	935	943
	4,469	3,990
Deferred tax liabilities	-	22
Natural gas pipeline tariff provision (note 4)	713	-
Decommissioning provision (note 5)	1,424	1,460
Total liabilities	6,606	5,472
Shareholders' equity		
Share capital (note 6)	6,980	6,980
Contributed surplus	134	96
Non-controlling interest (note 1)	-	(1,796)
Deficit	(4,920)	(152)
Total shareholders' equity	2,194	5,128
Total liabilities and shareholders' equity	8,800	10,600

See accompanying notes to the interim condensed consolidated financial statements.

CanAsia Energy Corp.
Consolidated Statement of Operations and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three Months Ended March 31, 2023
(\$000s, except per share amount)	
Expenses (Income)	
General and administrative	529
Operating expense	90
Natural gas pipeline tariff provision (note 4)	901
Stock-based compensation	38
Amortization (note 3)	16
Decommissioning recovery (note 5)	(46)
Gain on sale of equipment (note 3)	(100)
Finance income	(83)
Foreign exchange gain	(31)
	<u>1,314</u>
Loss before taxes and non-controlling interest	(1,314)
Taxes	
Deferred income tax recovery	(22)
	<u>(1,292)</u>
Net loss and comprehensive loss	(1,292)
Net loss attributable to:	
Common shareholders	(1,265)
Non-controlling interest (note 1)	(27)
Net loss	(1,292)
Total comprehensive loss attributable to:	
Common shareholders	(1,265)
Non-controlling interest (note 1)	(27)
Total comprehensive loss	(1,292)
Basic and diluted - net loss attributable to common shareholders (note 6)	<u>\$ (0.03)</u>

See accompanying notes to the interim condensed consolidated financial statements.

CanAsia Energy Corp.
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
(Unaudited)

(\$000s)	Share Capital	Contributed Surplus	NCI	Deficit	Total
Balance as at December 31, 2022	6,980	96	(1,796)	(152)	5,128
Net loss	-	-	(27)	(1,265)	(1,292)
Transaction affecting non-controlling interest (note 1)	-	-	1,823	(3,503)	(1,680)
Stock-based compensation	-	38	-	-	38
Balance as at March 31, 2023	6,980	134	-	(4,920)	2,194

See accompanying notes to the interim condensed consolidated financial statements.

CanAsia Energy Corp.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

(\$000s)	Three Months Ended March 31, 2023
Cash From (Used in)	
Operating Activities	
Net loss	(1,292)
Adjustments for non-cash items:	
Deferred income tax recovery	(22)
Amortization (note 3)	16
Stock-based compensation	38
Accretion	11
Decommissioning recovery	(46)
Gain on sale of equipment (note 3)	(100)
Unrealized foreign exchange loss	107
Non-current portion of natural gas pipeline tariff provision (note 4)	713
Deposit	(9)
Changes in non-cash working capital	500
Cash flow used in operating activities	(84)
Investing Activities	
Purchase of minority shares of Andora (note 1)	(1,680)
Proceeds from sale of equipment (note 3)	100
Cash flow used in investing activities	(1,580)
Financing Activities	
Lease payments	(2)
Cash flow used in financing activities	(2)
Change in cash and cash equivalents	(1,666)
Effect of foreign exchange on cash and cash equivalents	(108)
Cash and cash equivalents, beginning of period	9,086
Cash and cash equivalents, end of period	7,312

See accompanying notes to the interim condensed consolidated financial statements.

1) CORPORATE INFORMATION AND FUTURE OPERATIONS

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 \$0.1 million.

Future Operations

Andora's principal asset is the Sawn Lake heavy oil property in Northern Alberta which has no production and does not produce positive operating cash flows. The continued development of the property and the commencement of production therefrom is dependent on numerous factors including commodity pricing, access to capital, availability of supplies and services and various other economic and environmental factors. There are no assurances that the property will produce commercial quantities of oil that will be sufficient to support the ongoing operations of the Company.

CanAsia continues to evaluate international oil and gas concessions, and any acquisition and development will require capital, the amount and timing of which is currently not known.

As at March 31, 2023, management of CanAsia asserted that the entity has sufficient resources available to fund current activity levels for at least twelve months from the balance sheet date. However, additional capital will be required to fund the commercial development of the Sawn Lake property and future international concessions, if obtained. 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.

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 year 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 May 8, 2023.

3) INTANGIBLE ASSET

A reconciliation of the carrying amount of the intangible asset as at March 31, 2023 is set out below.

(\$000s)	
Cost	
At December 31, 2022 and March 31, 2023	699
Accumulated amortization	
At December 31, 2022	(333)
Amortization	(10)
At March 31, 2023	(343)
Net book value	
At December 31, 2022	366
At March 31, 2023	356

The patent pertains 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 is 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 \$0.9 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 March 31, 2023 is set out below.

(\$000s)		Total
At December 31, 2022		-
Initial recognition		901
At March 31, 2023		901
Less current portion		(188)
Non-current portion		713

Total undiscounted cash flows less estimated mitigation costs required to settle the Company's natural gas pipeline tariff at Sawn Lake, Alberta were estimated to be \$1.8 million at March 31, 2023. 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

A reconciliation of the Company's decommissioning provision at March 31, 2023 is set out below.

(\$000s)	Canada	Indonesia	Total
At December 31, 2022	1,460	943	2,403
Revisions to obligations	(46)	-	(46)
Settlement	-	(3)	(3)
Accretion	10	-	10
Foreign currency translation	-	(5)	(5)
At March 31, 2023	1,424	935	2,359
Less current portion	-	(935)	(935)
Non-current portion	1,424	-	1,424

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 1.68% for inflation (December 31, 2022 – 2.09%), required to settle the Company's decommissioning provision are estimated to be \$3.4 million at March 31, 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 3.02% at March 31, 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 March 31, 2023 consisted of deposits placed with the Alberta Energy Regulator in Canada for the interests of Andora at Sawn 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 March 31, 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 March 31, 2023	1,675,000	0.23

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

Options Outstanding at March 31, 2023				Options Exercisable at March 31, 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	4.65	558,333	0.23	4.65

(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 March 31, 2023
Weighted average common shares – basic and diluted	49,793,907
Net loss attributable to common shareholders (\$000s)	(1,265)
Net loss per share – basic and diluted	\$ (0.03)

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:

(\$000s)	March 31, 2023
Current assets	7,568
Current liabilities	(4,469)
Working capital	3,099
Shareholders' equity	2,194

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.

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

8) FINANCIAL INSTRUMENTS

As at March 31, 2023 the following financial instruments were denominated in currencies other than the Canadian dollar:

	March 31, 2023	December 31, 2022
	U.S. dollar	U.S. dollar
	(\$000s)	(\$000s)
Cash and cash equivalents	4,791	6,454
Accounts payable and accrued liabilities	(1,977)	(1,956)
Net exposure in foreign currency	2,814	4,498
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	3,807	6,081

(1) Translated at period end exchange rates.

Based on financial instruments held at March 31, 2023, fluctuations in the exchange rates as indicated below would have the following estimated effect on net income (loss) and comprehensive income (loss):

	Three Months Ended March 31, 2023
(\$000s)	
Effect of 1% increase in USD to CAD exchange rate:	
Pre-tax net income	38



CANASIA ENERGY CORP.

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