CANASIA ENERGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND
FOR THE PERIOD FROM MAY 27, 2022 (DATE OF INCORPORATION) TO DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of CanAsia Energy Corp.

Opinion

We have audited the consolidated financial statements of CanAsia Energy Corp., which comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022
- the consolidated statements of operations and comprehensive loss for the year ended December 31, 2023 and for the period form May 27, 2022 to December 31, 2022
- the consolidated statements of changes in shareholders' equity for the year ended December 31, 2023 and for the period form May 27, 2022 to December 31, 2022
- the consolidated statements of cash flows for the year ended December 31, 2023 and for the period form May 27, 2022 to December 31, 2022
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2023 and for the period form May 27, 2022 to December 31, 2022 in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit 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 Financial Statements***" section of our auditor's report.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Entity is dependent on its ability to continue to raise capital as and when needed to fund ongoing operations and for the development of Sawn Lake and/or the pursuit and potential acquisition of international oil and gas concessions.

As stated in Note1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty related to Going Concern***" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of indicators of impairment reversal for the Alberta exploration and evaluation assets ("Alberta E&E Assets")

Description of the matter

We draw attention to note 2 and note 3 to the financial statements. The Alberta E&E Assets are assessed for impairment reversal whenever events and circumstances indicate that the recoverable amount exceeds the carrying value. Significant judgment is required in determining whether indicators of impairment reversal exist for the Alberta E&E Assets including whether expenditures on further exploration and evaluation activities on the Alberta E&E Assets are budgeted or planned and if it is feasible that the Alberta E&E Assets can be developed to commerciality. There were no indicators of impairment reversal for the Alberta E&E Assets as of December 31, 2023.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment reversal for the Alberta E&E Assets as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures with respect to the Company's indicators of impairment reversal analysis.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Company's indicators of impairment reversal analysis for the Alberta E&E Assets by:

- Assessing whether expenditures on further exploration and evaluation activities on the Alberta E&E Assets are budgeted by comparing to the Company's 2024 budget
- Assessing the Company's analysis as to whether it is feasible that the Alberta E&E Assets can be developed to commerciality by examining the Company's press releases and certain minutes of the meetings of the Board of Directors.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at 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 in the auditor's report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the 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 auditor’s 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 auditor’s report is Shane Doig.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
March 12, 2024

CanAsia Energy Corp.
Consolidated Statements of Financial Position

($000s)	December 31, 2023	December 31, 2022
Assets		
Current		
Cash and cash equivalents	**9,781**	9,086
Restricted cash	**58**	58
Accounts receivable and prepaid expenses	**286**	216
	10,125	9,360
Right-of-use asset	**17**	22
Deposits (note 6)	**893**	852
Intangible asset (note 4)	**327**	366
Total assets	**11,362**	10,600
Liabilities		
Current		
Accounts payable and accrued liabilities	**3,265**	3,029
Lease liabilities	**18**	18
Natural gas pipeline tariff provision (note 5)	**307**	-
Decommissioning provision (note 6)	**617**	943
	4,207	3,990
Deferred tax liabilities (note 7)	**-**	22
Natural gas pipeline tariff provision (note 5)	**801**	-
Decommissioning provision (note 6)	**1,402**	1,460
Total liabilities	**6,410**	5,472
Shareholders’ equity		
Share capital (note 8)	**11,489**	6,980
Contributed surplus	**212**	96
Broker warrants (note 8)	**117**	-
Non-controlling interest (note 1)	**-**	(1,796)
Deficit	**(6,866)**	(152)
Total shareholders’ equity	**4,952**	5,128
Total liabilities and shareholders’ equity	**11,362**	10,600

Subsequent event (note 13)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors:

(signed “Richard Alexander”)
Director

(signed “Gerald Macey”)
Director

CanAsia Energy Corp.
Consolidated Statements of Operations and Comprehensive Loss

($000s, except per share amounts)	**Year Ended December 31, 2023**	Period from May 27, 2022 to December 31, 2022
Expenses (Income)		
General and administrative	**2,078**	782
Operating expense	**625**	149
Natural gas pipeline tariff provision (note 5)	**1,050**	-
Stock-based compensation	**116**	96
Amortization (note 4)	**66**	17
Decommissioning recovery (note 6)	**(268)**	(3)
Gain on sale of equipment (note 4)	**(100)**	-
Finance income	**(293)**	(70)
Foreign exchange gain	**(31)**	(231)
	3,243	740
Loss before taxes and non-controlling interest	**(3,243)**	(740)
Taxes		
Deferred income tax expense (recovery) (note 7)	**(22)**	22
Net loss and comprehensive loss	**(3,221)**	(762)
Net loss attributable to:		
Common shareholders (note 8)	**(3,194)**	(725)
Non-controlling interest (note 1)	**(27)**	(37)
Net loss	**(3,221)**	(762)
Total comprehensive loss attributable to:		
Common shareholders (note 8)	**(3,194)**	(725)
Non-controlling interest (note 1)	**(27)**	(37)
Total comprehensive loss	**(3,221)**	(762)
Basic and diluted - net loss attributed to common shareholders (note 8)	**$ (0.06)**	$ (0.01)

See accompanying notes to the consolidated financial statements.

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

($000s)	Share Capital	Contributed Surplus	Broker Warrants	NCI	Deficit	Total
Balance as at May 27, 2022	-	-	-	-	-	-
Issued under the Arrangement (note 1)	6,980	-	-	(1,186)	-	5,794
Net loss	-	-	-	(37)	(725)	(762)
Transaction affecting non-controlling interest (note 1)	-	-	-	(573)	573	-
Stock-based compensation	-	96	-	-	-	96
Balance as at December 31, 2022	6,980	96	-	(1,796)	(152)	5,128
Private placement financing (note 8)	5,042	-	-	-	-	5,042
Share issue costs (note 8)	(533)	-	-	-	-	(533)
Broker warrants (note 8)	-	-	117	-	-	117
Net loss	-	-	-	(27)	(3,194)	(3,221)
Transaction affecting non-controlling interest (note 1)	-	-	-	1,823	(3,520)	(1,697)
Stock-based compensation	-	116	-	-	-	116
Balance as at December 31, 2023	11,489	212	117	-	(6,866)	4,952

See accompanying notes to the consolidated financial statements.

CanAsia Energy Corp.
Consolidated Statements of Cash Flows

($000s)	Year Ended December 31, 2023	Period from May 27, 2022 to December 31, 2022
Cash Provided From (Used in)		
Operating Activities		
Net loss	**(3,221)**	(762)
Adjustments for non-cash items:		
Deferred income tax expense (recovery)	**(22)**	22
Amortization (note 4)	**66**	17
Stock-based compensation	**116**	96
Accretion	**188**	17
Decommissioning recovery	**(268)**	(3)
Gain on sale of equipment (note 4)	**(100)**	-
Unrealized foreign exchange loss (gain)	**304**	(393)
Natural gas pipeline tariff provision (note 5)	**1,050**	-
Deposit	**(41)**	-
Settlement of natural gas pipeline tariff provision (note 5)	**(86)**	-
Changes in non-cash working capital	**7**	389
Cash flow used in operating activities	**(2,007)**	(617)
Investing Activities		
Purchase of minority shares of Andora (note 1)	**(1,696)**	-
Proceeds from sale of equipment (note 4)	**100**	-
Cash flow used in investing activities	**(1,596)**	-
Financing Activities		
Proceeds from private placement (note 8)	**5,042**	-
Share issue costs (note 8)	**(416)**	-
Cash received under the Arrangement (note 1)	**-**	9,319
Lease payments	**(24)**	(9)
Cash flow from financing activities	**4,602**	9,310
Change in cash and cash equivalents	**999**	8,693
Effect of foreign exchange on cash and cash equivalents	**(304)**	393
Cash and cash equivalents, beginning of period	**9,086**	-
Cash and cash equivalents, end of period	**9,781**	9,086

See accompanying notes to the consolidated financial statements.

1) CORPORATE INFORMATION

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.

The assets acquired by CanAsia under the Arrangement were recorded at the carrying amounts from the accounting records of Pan Orient as the transaction was considered a common control acquisition under International Financial Reporting Standards. The carrying value of the net assets acquired by CanAsia under the Arrangement of $6,980 was recorded as follows:

Cash and working capital received under the Arrangement (1)	$ 13,394
Net liabilities of Andora assumed (1)	(4,203)
Net liabilities of POEH assumed (2)	(3,397)
Non-controlling interest in Andora	1,186
Ascribed value of common shares issued under the Arrangement	$ 6,980

(1) Includes outstanding balances on convertible credit facilities.
(2) Pan Orient Energy Holdings Ltd. ("POEH") is a wholly-owned subsidiary of CanAsia.

Pursuant to the Arrangement, CanAsia assumed ownership of 71.8% of Andora's 100,115,066 issued and outstanding common shares on August 25, 2022. In November 2022, Andora issued 139,427,534 common shares to CanAsia at $0.01 per share upon the conversion of the outstanding amount under a convertible credit facility. As at December 31, 2022, Andora had 239,542,600 common shares outstanding and CanAsia's ownership in Andora increased to 88.2%.

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 received 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 $2.0 million during 2023. However, CanAsia has working capital (current assets less current liabilities of $5.9 million as at December 31, 2023), which is available to fund its current requirements. 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 operations of CanAsia, including the development of Sawn Lake and/or the pursuit of and potential acquisition of international oil and gas concessions, is not known. It is reasonably certain that the amount of capital required is in excess of the working capital currently held by CanAsia.

CanAsia raised capital in 2023 (see notes 8 and 13), which addresses certain liquidity requirements in the near to medium term. However, additional capital may be required for the development of Sawn Lake and/or for the pursuit of and potential acquisition of international oil and gas concessions.

CanAsia's ability to continue as a going concern is dependent on its ability to continue to raise capital as and when needed to fund ongoing operations and for the development of Sawn Lake and/or pursuit of and potential acquisition 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS").

The consolidated financial statements were approved by the Company's Board of Directors on March 12, 2024.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the dates of the statements of financial position as well as the reported amounts of expenses and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the dates of the financial statements. Actual results could differ materially from estimated amounts.

Information used to assess indicators of impairment or impairment reversal related to exploration and evaluation assets is based on a number of factors including future oil prices, whether expenditures on further exploration and evaluation activities in the specific area are budgeted or planned, and if it is feasible that the project can be developed to commerciality. To assess indicators of impairment, costs are allocated into cash generating units ("CGUs") based on their ability to generate largely independent cash flows. The transfer of exploration and evaluation assets to property, plant and equipment is based on management's judgment of technical feasibility and commercial viability.

Amounts recorded for decommissioning provision and the related accretion expense require the use of estimates with respect to the amount and timing of abandonment costs, inflation and interest rates.

Events such as the invasion of Ukraine by Russian forces and the Israel-Hamas conflict have resulted in continued economic uncertainty, including volatile commodity prices, currency exchange rates, interest rates, and rates of inflation. These events have led to a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. These events and any potential resulting direct and indirect impact on the Company have been considered in management's estimates described above at the period end; however there could be a further prospective material impact in future periods.

Climate Change and Environmental, Social, and Governance ("ESG")

Climate change and ESG policies are evolving at regional, national and international levels. Political and economic events may significantly affect the scope and timing of ESG policies and climate change measures. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim of developing sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued proposed National Instrument 51-107 Disclosure of Climate-related Matters.

The direct or indirect costs of compliance with greenhouse gas-related regulations and ESG directives may have an adverse effect on the Company's and its customers' businesses, financial condition, results of operations and prospects; however, at this time these costs have not yet been quantified. Significant estimates and judgment currently made by management which could be significantly impacted by climate and climate-related matters include:

- Useful life of assets;
- Cost and ability to develop the Company's existing oil and gas properties or its ability to acquire and develop additional concessions and;
- Amounts recorded for decommissioning provision.

3) SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. All significant intercompany transactions and balances have been eliminated. Non-controlling interest in the net assets of consolidated subsidiaries were identified separately from the Company's equity. Non-controlling interest consisted of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition. At December 31, 2023, all of the Company's material subsidiaries are wholly owned. Accounting policies are applied consistently throughout all consolidated entities and the reporting dates of the Company and its subsidiaries are coterminous.

(b) Exploration and Evaluation ("E&E")

Pre-exploration and pre-licensing costs associated with the investigating, bidding and acquisition of petroleum properties are expensed prior to obtaining a petroleum lease or concession.

Costs incurred prior to establishing commercial viability and technical feasibility, such as land and lease acquisition costs, and geological and geophysical costs, are initially classified as E&E assets. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable based on several factors including the assignment of proven and probable reserves. Upon determination of technical feasibility and commercial viability, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property, plant and equipment.

The carrying value amount of E&E assets associated with the Sawn Lake property acquired in the Arrangement is $nil (cost and accumulated depletion and impairment of approximately $83.8 million). At December 31, 2023, an impairment reversal test was not required.

(c) Intangible Assets

Intangible assets with indefinite useful lives are not subject to amortization. Amortization of limited-life intangible assets is calculated using a straight-line method over their expected useful lives. The intangible asset in the consolidated financial statements is a patent and is amortized over its remaining useful life of approximately 10 years.

(d) Impairment of Assets

An impairment test is performed whenever events and circumstances indicate that the carrying value of the asset or CGU may exceed the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. E&E assets are allocated to the CGU or groups of CGUs to which they relate for purposes of impairment testing. If there is indication of an impairment loss, the costs carried in the statement of financial position in excess of the recoverable amount are charged to the statement of operations.

Impairment losses from prior periods are assessed at each reporting date for indications that the impairment loss no longer exists or has decreased. Impairment losses can be reversed if there is a change in the estimates used to determine the recoverable amount. Reversal of impairment losses cannot exceed the carrying value of the asset prior to impairment less any depreciation and depletion that would have been taken if no impairment was recognized.

(e) Natural Gas Pipeline Tariff Provision

The Company recognizes a liability for onerous contracts. 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 reflects 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.

(f) Decommissioning Provision

The Company recognizes a liability related to statutory, contractual or other legal obligations associated with the retirement of assets, when a reasonable estimate of the provision can be determined. A corresponding increase to the carrying amount of the related asset is recorded. The liability is increased as accretion is recognized over time through charges to accretion, which is included in finance costs. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depletion and depreciation of the underlying assets. Revisions to the estimated timing of cash flows, inflation rates, discount rates or to the original estimated undiscounted costs also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

(g) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets or liabilities are recorded to reflect the difference between the accounting and tax base of assets and liabilities, and income tax loss carry forwards. Deferred income taxes are measured using tax rates that are expected to apply to the period when the deferred tax asset is realized or deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period. The effect of a change in income tax rate is recognized in income in the period that the change occurs.

Deferred income tax assets are recognized for deductible temporary differences to the extent it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow the assets to be recovered. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

The Company offsets deferred tax assets and deferred tax liabilities relating to the same taxable entity. The Company may also offset deferred tax assets and deferred tax liabilities relating to different taxable entities, where the amounts relate to income taxes levied by the same taxation authority and the entities intend to realize the assets and settle the liabilities simultaneously.

(h) Foreign Currency

The Company's reporting currency is the Canadian dollar and its subsidiaries with operations have functional currencies that are the Canadian dollar.

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(i) Financial Instruments

The Company's financial instruments consists of cash and cash equivalents, restricted cash, accounts receivable, deposits, accounts payable and accrued liabilities which are recorded at amortized cost. All financial assets, liabilities and financial derivatives are initially recognized in the statement of financial position at fair value.

4) INTANGIBLE ASSET

A reconciliation of the carrying amount of the intangible asset is set out below.

($000s)	
Cost	
May 27, 2022	-
Patent assumed under the Arrangement (note 1)	699
At December 31, 2022 and December 31, 2023	699
Accumulated amortization	
At May 27, 2022	-
Patent assumed under the Arrangement (note1)	(319)
Amortization	(14)
At December 31, 2022	(333)
Amortization	(39)
At December 31, 2023	(372)
Net book value	
At May 27, 2022	-
At December 31, 2022	366
At December 31, 2023	327

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 some 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.

5) NATURAL GAS PIPELINE TARIFF PROVISION

The natural gas pipeline tariff agreement which was entered into between Andora and a third party in 2018 was recognized as an onerous contract in 2023 under IAS 37. A provision of $1.1 million has been recorded for the present obligation under this contract, reflecting the net cost of fulfilling the contract.

A reconciliation of the Company's natural gas pipeline tariff provision is set out below.

($000s)	
At May 27, 2022 and December 31, 2022	-
Initial recognition	901
Revisions to obligations	149
Accretion	144
Settlement	(86)
At December 31, 2023	1,108
Less current portion	(307)
Non-current portion	801

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 $2.1 million at December 31, 2023. The provision has been reduced by an amount for 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 2024 and 2031. Estimated costs have been discounted at an interest rate of 20%.

6) DECOMMISSIONING PROVISION AND DEPOSITS

A reconciliation of the Company's decommissioning provision is set out below.

($000s)	Canada	Indonesia	Total
At May 27, 2022	-	-	-
Assumed under the Arrangement (note 1)	1,447	952	2,399
Revisions to obligations	(3)	-	(3)
Settlement	-	(54)	(54)
Accretion	16	-	16
Foreign currency translation	-	45	45
At December 31, 2022	1,460	943	2,403
Revisions to obligations	1	(269)	(268)
Settlement	-	(138)	(138)
Accretion	43	-	43
Foreign currency translation	-	(21)	(21)
At December 31, 2023	1,504	515	2,019
Less current portion	(102)	(515)	(617)
Non-current portion	1,402	-	1,402

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 1.62% for inflation (December 31, 2022 – 2.09%), required to settle the Company's decommissioning provision are estimated to be $2.9 million at December 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 2024 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 December 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 December 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).

7) INCOME TAXES

A reconciliation of income taxes calculated at the statutory income tax rate to the income tax expense included in the consolidated statement of operations is as follows:

($000s)	**Year Ended December 31, 2023**	Period from May 27, 2022 to December 31, 2022
Loss before taxes and non-controlling interest	**(3,243)**	(740)
Statutory income tax rate	**23%**	23%
Expected income tax recovery	**(746)**	(170)
Change resulting from:		
Tax benefits not recognized	**716**	105
Stock based compensation	**27**	22
Non-deductible expenses	**(19)**	-
Other	**-**	65
Income tax expense (recovery)	**(22)**	22

The components of the Company's deferred income tax liabilities are as follows:

($)	**December 31, 2023**	December 31, 2022
Deferred tax liabilities (assets):		
Unrealized foreign exchange gain	**20**	90
Non-capital loss carry-forwards	**(20)**	(68)
Net deferred tax liabilities	**-**	22

The following table provides details of deductible temporary differences and loss carry-forwards for which no deferred tax asset has been recognized:

($000s)	**December 31, 2023**	December 31, 2022
Petroleum and natural gas properties	**17,577**	26,745
Non-capital losses (1)	**46,347**	32,441
Decommissioning provision	**1,504**	1,460
Natural gas pipeline tariff provision	**1,108**	-
Share issue costs	**333**	-
Total	**66,869**	60,646

(1) Non-capital loss carry-forwards expire from 2026 to 2043.

(2) The above table excludes losses in jurisdictions where operations have been discontinued.

8) SHARE CAPITAL

(a) Authorized

Unlimited Common Shares

(b) Issued and Outstanding Common Shares

	Shares Outstanding	**Amount ($000s)**
Balance at May 27, 2022	1	-
Issued under the Arrangement (note 1)	49,793,906	6,980
Balance as at December 31, 2022	49,793,907	6,980
Private placement	50,420,000	5,042
Share issue costs	-	(533)
Balance as at December 31, 2023	100,213,907	11,489

(c) Private Placement

On December 21, 2023, the Company completed a brokered private placement financing ("Private Placement") for gross proceeds of $5.042 million comprised of 50,420,000 common shares at a price of $0.10 per common share. In connection with the Private Placement, the Company recorded $533 thousand in share issue costs, comprised of $416 thousand in commission and fees and the estimated fair value of $117 thousand associated with 1,825,200 broker warrants issued to the broker.

(d) Broker Warrants

	December 31, 2023		December 31, 2022	
	Broker Warrants	**Weighted average exercise price ($)**	Broker Warrants	Weighted average exercise price ($)
Balance, beginning of period	-	-	-	-
Issued	1,825,200	0.10	-	-
Balance, end of period	1,825,000	0.10	-	-

In consideration for services rendered in relation to the Private Placement, the Company issued 1,825,200 broker warrants to the broker. Each broker warrant is exercisable at a price of $0.10 for a period of two years from the issue date. The fair value of $117 thousand associated with the broker warrants was recorded as share issue costs. The fair value was measured using the Black-Scholes option pricing model with the following assumptions: share price of $0.10, volatility of 126%, risk free interest rate of approximately 4%, dividend yield of 0%, and expected life of 24 months.

As at December 31, 2023, the following broker warrants were issued and exercisable:

	Broker Warrants Outstanding and Exercisable		
Exercise Price ($)	Number of Broker Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (years)
0.10	1,825,000	0.10	1.98

(e) Options to Purchase Common Shares

	December 31, 2023		December 31, 2022	
	Options (1)	**Weighted average exercise price ($)**	Options (1)	Weighted average exercise price ($)
Balance, beginning of period	1,675,000	0.23	-	-
Granted	-	-	1,675,000	0.23
Balance, end of period	1,675,000	0.23	1,675,000	0.23

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

The Company has an incentive option plan under which it is authorized to grant options to directors, officers, employees and consultants enabling them to acquire common shares of the Company upon exercise. On November 22, 2022, the Company granted options to directors, officers, an employee, and a consultant to purchase an aggregate of 1,675,000 common shares under CanAsia's equity incentive plan. The options vest as to one-third on the grant date and one-third on each of the first and second anniversaries of the grant date and expires on November 22, 2027. The fair value of options was estimated using a Black-Scholes option pricing model with the following assumptions: share price of $0.23, volatility of 75.8%, risk free rate of 3.26%, dividend yield of 0%, and estimated life of 5 years.

As at December 31, 2023, the following options were issued and outstanding:

	Options Outstanding			**Options Exercisable**		
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	3.90	1,116,667	0.23	3.90

(f) 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:

	Year Ended December 31, 2023	Period from May 27, 2022 to December 31, 2022
Weighted average common shares – basic and diluted	51,313,414	49,793,907
Net loss attributable to common shareholders ($000s)	(3,194)	(725)
Net loss per share – basic and diluted	$ (0.06)	$ (0.01)

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

9) CAPITAL MANAGEMENT

The Company's capital consists of the following:

($000s)	**December 31, 2023**	December 31, 2022
Current assets	**10,125**	9,360
Current liabilities	**(4,207)**	(3,990)
Working capital	**5,918**	5,370
Shareholders' equity	**4,952**	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.

10) FINANCIAL INSTRUMENTS

Overview

The nature of CanAsia's operations exposes the Company to credit risk, liquidity risk and market risk. Changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income. This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

CanAsia's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management.

Fair Value

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, deposits and accounts payable and accrued liabilities. The fair value of these financial instruments approximates the carrying value.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is related to cash and cash equivalents and deposits.

Cash and cash equivalents consist of bank cash balances and short-term deposits maturing in less than 90 days. The Company's short-term investments consist of bankers' acceptances and term deposits. It is not the Company's policy to utilize complex, higher-risk investment vehicles. In addition, the Company's cash is held at chartered banks where the credit risk is considered by management to be minimal.

The deposits are held by the Alberta Energy Regulator where credit risk is also considered by management to be low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its work commitments and other financial obligations as they come due. CanAsia's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon its existing cash position and the management of its cash flows and available resources. To forecast and monitor liquidity, the Company prepares annual operating and capital expenditure budgets which are monitored and updated as considered necessary. Working capital at December 31, 2023 was $5.9 million.

The Company's current financial liabilities at December 31, 2023 were accounts payable and accrued liabilities, lease liabilities, and the current portion of natural gas pipeline tariff provision and decommissioning provision, totaling $4.2 million which are due within one year.

The Company's commitments are expected to be funded through the Company's cash balances, and if required, future equity raises.

Market Risk

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

Commodity Price Risk

Changes in commodity prices may significantly impact the exploration and development plans of the Company. Crude oil prices are impacted by world economic and political events that dictate the levels of supply and demand.

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. Changes in interest rates could impact the Company's cash flows and net income (loss). A 1% change in the interest rate would impact net income (loss) before tax by approximately $0.1 million based on the cash balances at period end.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows and net income (loss) will fluctuate as a result of changes in foreign exchange rates. Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar can affect net income (loss). Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar can affect earnings.

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

	December 31, 2023 U.S. dollar ($000s)	December 31, 2022 U.S. dollar ($000s)
Cash and cash equivalents	**3,157**	6,454
Accounts payable and accrued liabilities	**(2,050)**	(1,956)
Net exposure in foreign currency	**1,107**	4,498
Net exposure in Canadian dollars(1) ($000s)	**1,472**	6,081

(1) Translated at year end exchange rates.

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

($000s)	**Year Ended December 31, 2023**	Year Ended December 31, 2022
Effect of 1% increase in USD to CAD exchange rate:		
Pre-tax net income	**15**	61

11) SUBSIDIARIES

The Company's material subsidiaries as at December 31, 2023 are as follows:

Material Subsidiaries	Nature and Primary Place of Business	Ownership
Andora Energy Corporation	Operator of and holder of 75% interest in the Sawn Lake Steam-Assisted Gravity Drainage ("SAGD") Demonstration Project located in Northern Alberta.	100%
Pan Orient Energy Holdings Ltd.	Holds legacy subsidiaries which had held Production Sharing Contracts in Indonesia.	100%

12) RELATED PARTY DISCLOSURES

Compensation for key management personnel, being the officers and directors, is as follows:

($000s)	**Year Ended December 31, 2023**	Period from May 27, 2022 to December 31, 2022
Short-term benefits [(1)]	**573**	227
Stock-based compensation	**103**	86
Total	**676**	313

(1) Include salaries, benefits and directors' fees.

The Company's consolidated statements of operations and comprehensive income are prepared primarily by nature of expenses, with the exception of employee compensation expense which are included in general and administrative expense and stock-based compensation. The following table details the amount of employee compensation expense included in general and administrative expense in the consolidated statements of operations and comprehensive income:

($000s)	**Year Ended December 31, 2023**	Period from May 27, 2022 to December 31, 2022
General and administrative	**502**	177
Stock-based compensation	**116**	96
Total employee compensation expense	**618**	273

13) SUBSEQUENT EVENT

On January 16, 2024, the Company completed a brokered private placement for gross proceeds of $1.258 million comprised of 12,580,000 common shares at a price of $0.10 per common share. In connection with the brokered private placement, the Company recorded $118 thousand in share issue costs, comprised of $116 thousand in commission and fees and the estimated fair value of $2 thousand associated with 24,600 broker warrants issued to the broker. Each broker warrant is exercisable at a price of $0.10 for a period of two years from the issue date. The fair value of $2 thousand associated with the broker warrants was recorded as share issue costs. The fair value was measured using the Black-Scholes option pricing model with the following assumptions: share price of $0.11, volatility of 126%, risk free interest rate of approximately 4%, dividend yield of 0%, and expected life of 24 months.