



CANASIA ENERGY CORP.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024**

(Unaudited)

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

(\$000s)	June 30, 2024	December 31, 2023
Assets		
Current		
Cash and cash equivalents	7,987	9,781
Restricted cash	58	58
Accounts receivable and prepaid expenses	435	286
	8,480	10,125
Right-of-use asset	8	17
Deposits (note 6)	1,162	893
Intangible asset (note 3)	308	327
Exploration and evaluation assets (note 4)	5,748	-
Total assets	15,706	11,362
Liabilities		
Current		
Accounts payable and accrued liabilities	3,205	3,265
Lease liabilities	7	18
Natural gas pipeline tariff provision (note 5)	289	307
Decommissioning provision (note 6)	619	617
	4,120	4,207
Natural gas pipeline tariff provision (note 5)	708	801
Decommissioning provision (note 6)	1,807	1,402
Total liabilities	6,635	6,410
Shareholders' equity		
Share capital (note 7)	12,629	11,489
Contributed surplus	526	212
Broker warrants (note 7)	119	117
Deficit	(4,203)	(6,866)
Total shareholders' equity	9,071	4,952
Total liabilities and shareholders' equity	15,706	11,362

See accompanying notes to the interim condensed consolidated financial statements.

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

(\$000s, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Expenses (Income)				
General and administrative	625	480	1,270	1,009
Operating expense	198	145	383	235
Natural gas pipeline tariff provision (recovery) (note 5)	(23)	-	(94)	901
Stock-based compensation	305	29	314	67
Amortization (note 3)	15	16	29	32
Decommissioning expense (recovery) (note 6)	(5)	53	(47)	7
Gain on sale of equipment (note 3)	-	-	-	(100)
Impairment recovery (note 4)	(4,242)	-	(4,242)	-
Finance income	(115)	(73)	(249)	(156)
Foreign exchange loss (gain)	(22)	26	(27)	(5)
	(3,264)	676	(2,663)	1,990
Income (Loss) before taxes and non-controlling interest	3,264	(676)	2,663	(1,990)
Taxes				
Deferred income tax recovery	-	-	-	(22)
Net income (loss) and comprehensive income (loss)	3,264	(676)	2,663	(1,968)
Net income (loss) attributable to:				
Common shareholders	3,264	(676)	2,663	(1,941)
Non-controlling interest	-	-	-	(27)
Net income (loss)	3,264	(676)	2,663	(1,968)
Total comprehensive income (loss) attributable to:				
Common shareholders	3,264	(676)	2,663	(1,941)
Non-controlling interest	-	-	-	(27)
Total comprehensive income (loss)	3,264	(676)	2,663	(1,968)
Basic and diluted - net income (loss) attributed to common shareholders (note 7)	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.04)

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	Broker Warrants	NCI	Deficit	Total
Balance as at December 31, 2022	6,980	96	-	(1,796)	(152)	5,128
Net loss	-	-	-	(27)	(1,941)	(1,968)
Transaction affecting non-controlling interest	-	-	-	1,823	(3,514)	(1,691)
Stock-based compensation	-	67	-	-	-	67
Balance as at June 30, 2023	6,980	163	-	-	(5,607)	1,536
Balance as at December 31, 2023	11,489	212	117	-	(6,866)	4,952
Private placement financing (note 7)	1,258	-	-	-	-	1,258
Share issue costs (note 7)	(118)	-	-	-	-	(118)
Broker warrants (note 7)	-	-	2	-	-	2
Net income	-	-	-	-	2,663	2,663
Stock-based compensation	-	314	-	-	-	314
Balance as at June 30, 2024	12,629	526	119	-	(4,203)	9,071

See accompanying notes to the interim condensed consolidated financial statements.

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

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash Provided From (Used in)				
Operating Activities				
Net income (loss)	3,264	(676)	2,663	(1,968)
Adjustments for non-cash items:				
Deferred income tax recovery	-	-	-	(22)
Amortization (note 3)	15	16	29	32
Stock-based compensation	305	29	314	67
Accretion	60	56	121	67
Decommissioning expense (recovery)	(5)	53	(47)	7
Gain on sale of equipment (note 3)	-	-	-	(100)
Unrealized foreign exchange loss (gain)	(45)	154	(148)	261
Natural gas pipeline tariff provision (recovery) (note 5)	(23)	-	(94)	901
Impairment recovery (note 4)	(4,242)	-	(4,242)	-
Deposit	(13)	(10)	(24)	(19)
Settlement of natural gas pipeline tariff provision (note 5)	(37)	-	(112)	-
Changes in non-cash working capital	(98)	(675)	(198)	(363)
Cash flow used in operating activities	(819)	(1,053)	(1,738)	(1,137)
Investing Activities				
Purchase of minority shares of Andora	-	(11)	-	(1,691)
Proceeds from sale of equipment (note 3)	-	-	-	100
Purchase of exploration and evaluation assets (note 4)	(1,334)	-	(1,334)	-
Cash flow used in investing activities	(1,334)	(11)	(1,334)	(1,591)
Financing Activities				
Proceeds from private placement (note 7)	-	-	1,258	-
Share issue costs (note 7)	-	-	(116)	-
Lease payments	(10)	(10)	(12)	(12)
Cash flow from (used in) financing activities	(10)	(10)	1,130	(12)
Change in cash and cash equivalents	(2,163)	(1,074)	(1,942)	(2,740)
Effect of foreign exchange on cash and cash equivalents	45	(154)	148	(262)
Cash and cash equivalents, beginning of period	10,105	7,312	9,781	9,086
Cash and cash equivalents, end of period	7,987	6,084	7,987	6,084

See accompanying notes to the interim condensed consolidated financial statements.

1) CORPORATE INFORMATION

CanAsia Energy Corp. (“CanAsia” or the “Company”) is a Canadian publicly listed junior oil and gas company. The CanAsia common shares trade on the TSX Venture Exchange, 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.

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 \$1.7 million during the first half of 2024. However, CanAsia has working capital (current assets less current liabilities of \$4.4 million as at June 30, 2024), 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 2024 (see note 7), which addresses certain liquidity requirements in the near to medium term. However, additional capital will be required for the development of Sawn Lake and/or 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 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, 2023. 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, except as noted below.

On January 1, 2024, the Company adopted amendments to IAS 1, *Presentation of Financial Statements*, regarding classification of liabilities as current or non-current. The amendment clarifies that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The adoption of the new standard did not change the classification of any liabilities and had no impact on the Company’s financial statements.

The interim condensed consolidated financial statements were approved by the Company’s Board of Directors on August 13, 2024.

3) INTANGIBLE ASSET

A reconciliation of the carrying amount of the intangible asset as at June 30, 2024 is set out below.

(\$000s)	
Cost	
At December 31, 2023 and June 30, 2024	699
Accumulated amortization	
At December 31, 2023	(372)
Amortization	(19)
At June 30, 2024	(391)
Net book value	
At December 31, 2023	327
At June 30, 2024	308

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 Energy Corporation ("Andora"), a wholly-owned subsidiary of CanAsia, sold some equipment to a third party for \$0.1 million. The net book value of the equipment was \$nil, resulting in a gain on sale of \$0.1 million.

4) EXPLORATION AND EVALUATION ASSETS

Following a successful auction bid, in May 2024, Andora acquired from two entities which were placed under receivership (the "Debtors") certain assets (the "Assets") for a purchase price equal to \$2.0 million (which includes the assumption of various obligations). The net consideration paid was approximately \$1.3 million.

The Assets include the Debtors' 25% working interest in various heavy oil sands leases in Sawn Lake, within the central Alberta Peace River Oil Sands region. Following the acquisition, Andora's working interest in the Sawn Lake Central block increased from 75% to 100%.

The Exploration and Evaluation ("E&E") assets acquired are recorded in the financial statements, as follows:

(\$'000)	
Consideration paid	1,334
Assets acquired:	
Deposits	(255)
Liabilities assumed:	
Decommissioning liabilities	415
E&E assets acquired	1,494 ⁽¹⁾

(1) Includes capitalized acquisition costs of \$80.

The acquisition was accounted for as an asset acquisition as it did not meet the definition of a business combination under IFRS 3.

In early 2020 there was a severe decline in crude oil prices due to geopolitical events, and COVID-19 caused the global demand for crude oil and related products to collapse. The deterioration in the economics for commercial expansion at Sawn Lake resulting from the dramatically lower prices for heavy oil and bitumen indicated that there was no expected commercial development at Sawn Lake at that time. Accordingly, in March 2020, Andora recorded an impairment expense on E&E assets of \$83.8 million (\$78.2 million net of a deferred tax recovery of \$5.6 million) related to the carrying value of its Sawn Lake steam assisted gravity drainage project.

Since the impairment recorded in March 2020, the commodity price for crude oil has improved and COVID-19 is no longer considered a global emergency. Management has determined that the amount of \$1,414 (E&E assets of \$1,494 less acquisition costs of \$80) represents the fair value of the 25% Sawn Lake working interest acquired by Andora. As a result, the Company has partially reversed the impairment of E&E assets previously recorded by an amount of \$4,242, to reflect the current carrying value of the remaining 75% Sawn Lake working interest already owned by Andora prior to the acquisition.

Changes to the carrying value of E&E assets for the six months ended June 30, 2024 are set out below:

(\$'000)	Six Months Ended June 30, 2024
E&E assets, beginning of period	-
Additions	1,414
Capitalized costs	80
Changes in decommissioning provision	12
Impairment recovery	4,242
E&E assets, end of period	5,748

As at June 30, 2024, Andora's Sawn Lake Project has not yet demonstrated commercial viability or technical feasibility, and the project is considered to be in its evaluation stage. Recoverability of the Company's investment in the E&E assets is dependent on determining the technical feasibility of the project, obtaining additional financing, and successfully completing the development of the project. Capitalized costs incurred to date do not necessarily represent present or future values.

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 \$1.0 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 December 31, 2023	1,108
Revisions to obligations	(94)
Accretion	95
Settlement	(112)
At June 30, 2024	997
Less current portion	(289)
Non-current portion	708

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 June 30, 2024. 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

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

(\$000s)	Canada	Indonesia	Total
At December 31, 2023	1,504	515	2,019
Liabilities assumed (note 4)	415	-	415
Revisions to obligations	(35)	-	(35)
Settlement	-	(18)	(18)
Accretion	25	-	25
Foreign currency translation	-	20	20
At June 30, 2024	1,909	517	2,426
Less current portion	(102)	(517)	(619)
Non-current portion	1,807	-	1,807

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 1.80% for inflation (December 31, 2023 – 1.62%), required to settle the Company's decommissioning provision are estimated to be \$3.8 million at June 30, 2024 (December 31, 2023 - \$2.9 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 3.39% at June 30, 2024 (December 31, 2023 – 3.02%). Revision to obligations for the 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 \$1.2 million at June 30, 2024 consisted of deposits placed with the Alberta Energy Regulator in Canada for the interests of Andora at Sawn Lake (December 31, 2023 - \$0.9 million).

7) SHARE CAPITAL

(a) Authorized

Unlimited Common Shares

(b) Issued and Outstanding Common Shares

	Shares Outstanding	Amount (\$000s)
Balance as at December 31, 2023	100,213,907	11,489
Private placement	12,580,000	1,258
Share issue costs	-	(118)
Balance as at June 30, 2024	112,793,907	12,629

(c) Private Placement

On January 16, 2024, the Company completed a brokered private placement financing ("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 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.

(d) Broker Warrants

	Broker Warrants	Weighted average exercise price (\$)
Balance as at December 31, 2023	1,825,200	0.10
Issued	24,600	0.10
Balance as at June 30, 2024	1,849,800	0.10

In consideration for services rendered in relation to the Private Placement, the Company issued 24,600 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 \$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.

As at June 30, 2024, 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	1,849,800	0.10	1.48

(e) Options to Purchase Common Shares

	Number of Options ⁽¹⁾	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2023	1,675,000	0.23
Granted	8,100,000	0.13
Options outstanding at June 30, 2024	9,775,000	0.15

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

As at June 30, 2024, the following options were issued and outstanding:

Exercise Price (\$)	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Contractual Life (years)	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
0.13	700,000	0.13	4.96	233,333	0.13	4.96
0.135	7,400,000	0.135	4.92	2,466,667	0.135	4.92
0.23	1,675,000	0.23	3.40	1,116,667	0.23	3.40
0.13 – 0.23	9,775,000	0.15	4.66	3,816,667	0.16	4.47

May 29, 2024 Grant

On May 29, 2024, the Company granted options to directors, officers, and an employee to purchase an aggregate of 7,400,000 common shares under CanAsia's equity incentive plan. Each option has an exercise price of \$0.135 (equal to the May 28, 2024 closing price of a CanAsia share on the TSX Venture Exchange), vests 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 May 29, 2029.

The fair value of these options was estimated using a Black-Scholes option pricing model with the following assumptions: share price of \$0.135, volatility of 126%, risk-free rate of 3.8%, and an estimated life of 5 years.

June 14, 2024 Grant

On June 14, 2024, the Company granted options to directors to purchase an aggregate of 700,000 common shares under CanAsia's equity incentive plan. Each option has an exercise price of \$0.13 (equal to the June 13, 2024 closing price of a CanAsia share on the TSX Venture Exchange), vests 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 June 14, 2029.

The fair value of these options was estimated using a Black-Scholes option pricing model with the following assumptions: share price of \$0.13, volatility of 126%, risk-free rate of 3.3%, and an estimated life of 5 years.

(f) Earnings per Share Attributable to Common Shareholders

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Weighted average common shares – basic	112,793,907	49,793,907	111,757,094	49,793,907
Stock options	1,091	-	-	-
Broker warrants	438,749	-	326,078	-
Weighted average common shares – diluted	113,233,747	49,793,907	112,083,172	49,793,907
Net income (loss) attributable to common shareholders (\$000s)	3,264	(676)	2,663	(1,941)
Net income per share – basic and diluted	\$ 0.03	\$ (0.01)	\$ 0.02	\$ (0.04)

8) CAPITAL MANAGEMENT

The Company's capital consists of the following:

(\$000s)	June 30, 2024	December 31, 2023
Current assets	8,480	10,125
Current liabilities	(4,120)	(4,207)
Working capital	4,360	5,918
Shareholders' equity	9,071	4,952

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.

9) FINANCIAL INSTRUMENTS

As at June 30, 2024 the following financial instruments were denominated in currencies other than the Canadian dollar:

	June 30, 2024 U.S. dollar (\$000s)	December 31, 2023 U.S. dollar (\$000s)
Cash and cash equivalents	3,226	3,157
Accounts payable and accrued liabilities	(2,058)	(2,050)
Net exposure in foreign currency	1,168	1,107
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	1,598	1,472

(1) Translated at period end exchange rates.

Based on financial instruments held at June 30, 2024, fluctuations in the exchange rates as indicated below would have the following estimated effect on net income (loss):

(\$000s)	Six Months Ended June 30, 2024	2023
Effect of 1% increase in USD to CAD exchange rate: Pre-tax net income	16	31



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