



Condensed Interim Financial Statements (unaudited)

For the three months ended March 31, 2022

MARCH 31, 2022

Notice of No Auditor Review of Interim Financial Statements

The accompanying interim financial statements of Kaisen Energy Corp. As at and for the three-month period ending March 31, 2022 have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors have not performed a review of these interim financial statements.

/s/ John Zahary
Chairman

/s/ Chris McGinnis
President

/s/ Nathan Kunec
Chairman of Audit Committee

June 9, 2022

Interim Statements of Financial Position

(Unaudited, Canadian dollars)

| | Note | March 31, 2022 | December 31, 2021 |
|--|------|---------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$961,130 | \$640,434 |
| Accounts receivable | 4 | 1,330,315 | 774,455 |
| Prepaid expenses and deposits | | 108,944 | 137,415 |
| | | 2,400,389 | 1,552,304 |
| Property, plant, and equipment | | | |
| | 5,6 | 9,209,085 | 10,781,115 |
| | | \$11,609,474 | \$12,333,419 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 7 | \$1,651,059 | \$6,505,136 |
| Promissory notes | 8 | - | 1,139,435 |
| Term loan | 8 | - | 2,128,661 |
| | | 1,651,059 | 9,773,232 |
| Decommissioning and other | | | |
| | 12 | 9,955,294 | 11,182,888 |
| | | 11,606,353 | 20,956,120 |
| Shareholders' equity | | | |
| Share capital | 13 | 62,192,275 | 53,724,854 |
| Convertible debentures | 8 | - | 6,517,100 |
| Contributed surplus | | 8,403,685 | 8,403,685 |
| Deficit | | (70,592,839) | (77,268,340) |
| | | 3,121 | (8,622,701) |
| | | \$11,609,474 | \$12,333,419 |

See accompanying notes to the unaudited condensed interim financial statements.

Interim Statements of Loss and Comprehensive Loss

(Unaudited, Canadian dollars)

| | | Three months ended | |
|--|-----------|--------------------|-------------------|
| | Note | 2022 | March 31, 2021 |
| Revenue | | | |
| Petroleum and natural gas sales | | \$3,125,886 | \$496,267 |
| Royalties | | (528,651) | (90,347) |
| Revenue, net of royalties | | 2,597,235 | 405,920 |
| Saskatchewan resource tax | | (36,000) | (5,000) |
| Other income | | 8,895 | 36,920 |
| Gain on settlement of claim balances | | 6,212,139 | - |
| | | 8,782,269 | 2,012,947 |
| Expenses | | | |
| Operating | | 1,177,346 | 538,613 |
| Transportation | | 84,373 | 20,884 |
| General and administrative | | 261,103 | 247,632 |
| Restructuring | | 194,230 | - |
| Net finance | 11 | 67,377 | 110,659 |
| Share-based compensation | 13 | - | 24,464 |
| Depletion and depreciation | 5 | 322,339 | 91,866 |
| | | 2,106,768 | 1,034,118 |
| Net earnings / (loss) | | \$6,675,501 | \$(596,278) |
| Net earnings / (loss) per share | | | |
| Basic and diluted | 14 | \$0.05 | \$(0.01) |

See accompanying notes to the unaudited condensed interim financial statements.

Interim Statements of Cash Flows

(Unaudited, Canadian dollars)

| | | Three months ended | |
|---|------|--------------------|-------------------|
| | Note | 2022 | March 31, 2021 |
| Cash provided by (used in) the following activities: | | | |
| Operating activities | | | |
| Net earnings / (loss) for the period | | \$6,675,501 | \$(596,278) |
| Items not affecting cash: | | | |
| Depletion and depreciation | | 322,339 | 91,866 |
| Impairment loss on property plant and equipment | | - | - |
| Accretion of decommissioning obligations | 12 | 67,377 | 59,147 |
| Share-based compensation | 13 | - | 24,464 |
| Unrealized (gain) loss on risk management contracts | 9 | - | - |
| Other | | 1 | (1) |
| | | 7,065,218 | (420,802) |
| Change in non-cash working capital | 15 | (5,381,767) | 237,070 |
| Cash from operating activities | | 1,683,451 | (183,732) |
| Financing activities | | | |
| Net (payments) advances of bank loan | | - | - |
| Promissory notes | | (1,139,435) | 240,000 |
| Term loan principal repayments | | (2,128,661) | - |
| Convertible debentures, net of issue costs | 8 | (6,517,100) | - |
| Proceeds from the issuance of shares | 13 | 8,467,421 | - |
| Cash from financing activities | | (1,317,775) | 240,000 |
| Investing activities | | | |
| Development of oil and gas properties | | (45,281) | (46,296) |
| Change in non-cash working capital | 15 | 301 | 8,234 |
| Cash used in investing activities | | (44,980) | (38,062) |
| Change in cash | | 320,696 | 18,206 |
| Cash, beginning of the period | | 640,434 | 108,966 |
| Cash, end of the period | | \$961,130 | \$127,172 |
| Supplementary disclosure | | | |
| Cash interest paid | | \$ - | \$33,984 |
| Cash taxes paid | | - | - |

See accompanying notes to the unaudited condensed interim financial statements.

Interim Statements of Changes in Shareholders' Equity

(Unaudited, Canadian dollars)

| | Note | Share capital | Convertible debentures | Contributed surplus | Retained deficit | Shareholders' equity |
|--|------|---------------------|------------------------|---------------------|-----------------------|----------------------|
| Balance as at January 1, 2021 | | \$53,189,854 | \$6,517,100 | \$8,840,733 | \$(75,492,088) | \$(6,944,401) |
| Net loss | | - | - | - | (1,776,252) | (1,776,252) |
| Options exercised | | 535,000 | - | (535,000) | - | - |
| Share-based compensation | 13 | - | - | 97,952 | - | 97,952 |
| Balance as at December 31, 2021 | | \$53,724,854 | \$6,517,100 | \$8,403,685 | \$(77,268,340) | \$(8,622,701) |
| Net earnings | | - | - | - | 6,675,501 | 6,675,501 |
| Convertible debentures issued | | - | (6,517,100) | - | - | (6,517,100) |
| Common Shared issued | | 8,467,421 | - | - | - | 8,467,421 |
| Balance as at March 31, 2022 | | \$62,192,275 | \$ - | \$8,403,685 | \$(70,592,839) | \$3,121 |

See accompanying notes to the unaudited condensed interim financial statements.

Notes to the Interim Financial Statements (unaudited)

As at March 31, 2022 and for the three months ended March 30, 2022 and 2021

1. Reporting Entity

Kaisen Energy Corp. (the “Company” or “Kaisen”) is a Calgary-based energy company primarily focused on heavy oil development and production in Saskatchewan. The Company was incorporated in Canada on November 6, 2012. The Company’s principal place of business is 2000, 715 5 Avenue S.W. Calgary, Alberta, Canada, T2P 2X6.

2. Basis of Presentation, Statement of Compliance and Assumption of Going Concern

These condensed unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These financial statements were authorized for issue by the Board of Directors on June 9, 2022. These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and should be read in conjunction with the Company’s unaudited financial statements for the year ended December 31, 2021. Unless otherwise stated, amounts presented in these financial statements, including tabular amounts, are stated Canadian dollars. The functional currency of the Company is the Canadian dollar.

These financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 2 “Basis of presentation” of the Company’s unaudited consolidated financial statements for the year ended December 31, 2021. All accounting policies, methods of computation, and the use of estimates or judgements used in the preparation of these interim financial statements are consistent with those used the previous financial year.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

3. Use of Estimates, Judgements and Assumptions

A full list of the significant estimates and judgements made by Management in the preparation of its financial statements are included in Note 5 “Use of Estimates, Judgement and Assumptions” of the annual financial statements. Changes to any of these estimates, judgements and assumptions could result in a material adjustment to the carrying values of assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis, and any revisions to accounting estimates are recognized in the period in which the estimates are revised.

4. Financial Assets and Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. The Company’s credit exposure on accounts receivable at March 31, 2022 pertains to accrued revenue for March 2022 production volumes in addition to amounts receivable from joint operating partners. Kaisen typically sells its heavy oil production to four separate oil and natural gas marketing companies. All revenues recorded at March 31, 2022 were received in April 2022. For joint operating partners, Kaisen bills these partners typically 2 months after the month of activity with receipt 30 days thereafter.

The Company’s carrying values of accounts receivable represent the Company’s maximum credit exposure. The aging of accounts receivable is as follows:

| | March 31, 2022 | December 31, 2021 |
|-------------------------------|--------------------|----------------------|
| Not past due | \$1,308,338 | \$765,585 |
| Past due greater than 90 days | 21,977 | 8,870 |
| Accounts receivable | \$1,330,315 | \$774,455 |

The Company has historically not experienced any collection issues with its oil and natural gas sales and therefore has not recorded an allowance for doubtful accounts as at March 31, 2022.

5. Property, Plant, and Equipment

| | Oil and gas assets | Corporate assets | Total assets |
|--|-----------------------|---------------------|---------------------|
| Cost: | | | |
| Balance, January 1, 2021 | \$83,763,773 | \$247,401 | \$84,011,174 |
| Development additions | 4,296 | 2,984 | 7,280 |
| Decommissioning obligations change in estimate | (1,495,760) | - | (1,495,760) |
| Capitalized general and administrative costs | 168,000 | - | 168,000 |
| Capitalized share-based compensation | 14,951 | - | 14,951 |
| Balance, December 31, 2021 | \$82,455,260 | \$250,385 | \$82,705,645 |

| | Oil and gas assets | Corporate assets | Total assets |
|--|---------------------|------------------|---------------------|
| Development additions | 3,146 | 135 | 3,281 |
| Decommissioning obligations change in estimate | (1,294,972) | - | (1,294,972) |
| Capitalized general and administrative costs | 42,000 | - | 42,000 |
| Capitalized share-based compensation | - | - | - |
| Balance, March 31, 2021 | \$81,205,434 | \$250,520 | \$81,455,954 |
| Accumulated depletion and depreciation: | | | |
| Balance, January 1, 2021 | \$70,743,663 | 212,079 | \$70,955,742 |
| Depletion and depreciation | 958,000 | 10,789 | 968,789 |
| Impairment | - | - | - |
| Balance, December 31, 2021 | \$71,701,663 | \$222,868 | \$71,924,531 |
| Depletion and depreciation | 320,000 | 2,339 | 322,339 |
| Impairment | - | - | - |
| Balance, March 31, 2022 | \$72,021,663 | \$225,207 | \$72,246,870 |
| Net book value: | | | |
| Balance, December 31, 2021 | \$10,753,597 | \$27,517 | \$10,781,115 |
| Balance, March 31, 2022 | 9,183,771 | 25,313 | 9,209,085 |

As at March 31, 2022, \$77.8 million in future development costs associated with proved plus probable reserves and net salvage values of \$2.6 million were included in the petroleum and natural gas asset cost bases for depletion calculation purposes (December 31, 2021 - \$77.8 million and \$2.6 million, respectively). No other costs have been included or excluded from property plant and equipment in the determination of depletion. During the quarter ended March 31, 2022, \$42,000 in general and administrative expenses were capitalized to property, plant, and equipment (December 31, 2020 - \$168,000 and \$14,951).

6. Impairment loss on property, plant, and equipment

2022 Impairments

At March 31, 2022, the Company evaluated its property, plant, and equipment for indicators of any potential impairment or related impairment reversals. The assessment factored in reserves, change in commodity prices from year end, the health of the Company, the sector and the general economy, and near-term development plans. While some indicators had changed since year-end 2020, indicating a potential impairment reversal, the most recent reserve report indicated that significant capital outlays were required to achieve current valuations. Given the current financial outlook of the Company, it is uncertain as to where such capital investments would be funded, and as such, no impairment adjustments were recorded during the quarter. The recoverable amount of the Company's CGU's as at March 31, 2022 was \$9.2 million (December 31, 2021 - \$10.8 million).

7. Financial Liabilities and Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company's liquidity is dependent on the Company's expected business growth and changes in its business environment. The Company manages this risk by continuously monitoring forecast and actual cash flows from operating, financing, and investing activities and opportunities to extend or modify its existing debt facility or to issue additional equity. The Company will continue to manage its capital expenditures to reflect current financial resources in the interest of sustaining long-term viability. Estimated undiscounted cash outflows relating to financial liabilities as at March 31, 2022 were as follows:

| | Undiscounted amount | Less than 1 year | 1 - 3 years | 4 – 5 years |
|--|---------------------|--------------------|-------------|-------------|
| Accounts payable and accrued liabilities | \$1,651,059 | \$1,651,059 | \$- | \$- |
| Financial liabilities | \$1,651,059 | \$1,651,059 | \$- | \$- |

8. Term Loan & Convertible Debentures

On March 16, the Company executed the Plan of Arrangement and Compromise ("The Plan"). As part of The Plan, the term loan, promissory notes, and convertible debentures were converted into equity or settled with cash payments. At March 31, 2022, no further term loans or obligations remain outstanding.

9. Financial Derivatives and Market Risk Management

Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines to be used by Management. The

risk exposure inherent in the movement of the price of crude oil and natural gas prices and fluctuations in foreign exchange rates are all proactively reviewed by the Company and may be managed through the use of derivative contracts as considered appropriate.

(a) Commodity price risk

The Company is exposed to commodity price movements as part of its operations. The Company maintains a risk management strategy to protect funds flow from operations from the volatility of commodity prices. The Company's strategy focuses on the use of puts, costless collars, swaps or fixed price contracts to limit exposure to fluctuations in commodity prices. At March 31, 2022, the Company had no outstanding risk management contracts.

(b) Interest rate risk

As at March 31, 2022, the Company does not currently have any interest bearing debt or other instruments.

(c) Foreign currency risk

The Company does not sell or transact in any foreign currency except the Company's commodity prices are largely denominated in United States dollars. As a result, the prices that the Company receive are affected by fluctuations in the exchange rates between the US dollar and the Canadian dollar. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar compared to the US dollar will reduce the prices received by the Company for its crude oil and natural gas sales. The Company had no foreign exchange forward rate contracts in place as at or during the period ended March 31, 2021.

10. Capital Management

The Company's policy is to maintain a strong capital base to provide flexibility in the future development of the business and to maintain the confidence of investors and lenders. The Company periodically reviews certain quantitative measures of its capital structure to understand its position relative to industry peers but does not set certain limits or ranges with respect to these quantitative measures. The Company is not subject to any external restrictions on its capital structure. Management closely monitors debt leverage to ensure the Company maintains financial flexibility and balance sheet strength sufficient to manage unforeseen events and opportunities as they arise.

11. Net Finance Expenses

The following table summarizes net finance expenses recorded during the three months ended March 31, 2022, and 2021:

| | Three months ended | |
|--|---------------------------|---------------------------|
| | 2022 | March 31, 2021 |
| Interest expense on term and bank loans | \$- | \$33,984 |
| Interest expense on promissory notes | - | 17,528 |
| Accretion of decommissioning obligations | 67,377 | 59,147 |
| Net finance expenses | \$67,377 | \$110,659 |

12. Decommissioning and Other

The total future decommissioning obligations were estimated by Management based on the expected cost to reclaim and abandon its net ownership interest in well sites and facilities and the estimated timing of the costs to be incurred in future periods. Decommissioning obligations acquired as part of an acquisition are initially measured at fair value using a credit-adjusted risk-free rate. Management estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations at March 31, 2022 is \$10.0 million, which will be incurred over the next 10-15 years with the majority of costs incurred between 2021 and 2026. The Bank of Canada's long-term risk-free rate of 2.41% and an inflation rate of 2.0% (December 31, 2021 – 1.82% and 2.0% respectively) were used to calculate the present value of the decommissioning obligation at March 31, 2022.

A reconciliation of the changes to the decommissioning obligations during the periods is as follows:

| | March 31, 2022 | December 31, 2021 |
|-------------------------------------|---------------------------|----------------------|
| Balance, beginning of period | \$11,182,887 | \$12,452,020 |
| Liabilities incurred | - | - |
| Accretion | 67,377 | 226,627 |
| Change in estimate | (1,294,970) | (1,495,760) |
| Balance, end of period | \$9,955,294 | \$11,182,887 |

13. Share Capital

(a) Issued and Outstanding Common Shares

The Company is authorized to issue an unlimited number of voting common shares and an unlimited amount of special voting shares. The following table is a continuity schedule of the Company's common shares outstanding and share capital:

| | Number of Shares | Share Capital |
|--------------------------|--------------------|---------------------|
| December 31, 2021 | 56,120,029 | \$53,724,854 |
| New shares issued | 434,609,823 | \$8,467,421 |
| March 31, 2022 | 490,729,851 | \$62,192,275 |

(b) Share Based Compensation

The Company had a share option plan pursuant to which options to purchase common shares of the Company were be granted by the Board of Directors to directors, officers, employees and consultants of the Company. The share option plan was terminated during the restructuring process. After The Plan was executed and subsequent to quarter end, a new share option plan was put in place. Since there was no plan in place during the current quarter, no share-based compensation was recorded.

14. Net earnings (loss) per Common Share

| | Three months ended | |
|---|--------------------|-----------------|
| | 2022 | March 31, 2021 |
| Net earnings (loss) | \$6,675,501 | \$(596,278) |
| Weighted number of average common shares outstanding: | | |
| Basic and diluted | 128,554,999 | 45,420,029 |
| Basic and diluted net loss per share | \$0.05 | \$(0.01) |

15. Supplemental Cash Flow Information

The net change in non-cash working capital is comprised of:

| | Three months ended | |
|---|--------------------|----------------|
| | 2022 | March 31, 2021 |
| Accounts receivable | \$(555,860) | \$(172,109) |
| Prepaid expenses and deposits | 28,471 | 22,022 |
| Accounts payable and accrued liabilities, and other | (4,854,077) | 395,391 |
| Change in non-cash working capital | \$(5,381,466) | \$245,304 |
| Related to operating activities | (5,381,767) | 237,070 |
| Related to investing activities | \$301 | \$8,234 |

16. Subsequent Events

- (a) On April 13, the Company received a Certificate of Amendment from the Government of Alberta under the Business Corporations Act that officially changed its name to Courser Energy Ltd. The name change amendment was approved by the board of directors on Monday, April 11 with all resolutions and articles of amendment filed on that same day.
- (b) On April 11, 2022, the Company's board of directors approved new executive and long-term incentive plans granting to various directors, employees and consultants, the option to purchase or acquire an aggregate of 42 million shares. The executive options have no strike prices and are fully vested at May 11, 2022. The long-term incentive share options will partially vest each year in one-third increments on through 2025.