



CANASIA ENERGY CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD FROM
MAY 27, 2022 (DATE OF INCORPORATION) TO DECEMBER 31, 2022**

March 14, 2023

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the operating and financial results of CanAsia Energy Corp. ("CanAsia" or the "Company") is prepared effective March 14, 2023 and should be read in conjunction with the audited consolidated financial statements and notes attached thereto for the period from May 27, 2022 (date of incorporation) to December 31, 2022. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

CanAsia 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 Thailand operations), and the Canadian assets and the discontinued Indonesia operations of Pan Orient being acquired by CanAsia. Further details of the Arrangement are described below. The CanAsia common shares began trading on the TSX Venture Exchange on August 29, 2022, under the symbol CEC. The records office and principal address of the Company is located at 1505, 505 – 3rd Street S.W., Calgary, Alberta, T2P 3E6.

Under the Arrangement completed on August 25, 2022: (a) Dialog Group Berhad of Malaysia acquired all of the issued and outstanding Pan Orient shares and Pan Orient's Thailand business; (b) Pan Orient shareholders received, for each Pan Orient share held, a cash payment of USD \$0.788 and one CanAsia share; and (c) CanAsia became a public company with shares listed on the TSX Venture Exchange. Pan Orient transferred to CanAsia all of Pan Orient's non-Thailand assets, including Pan Orient's 71.8% ownership of Andora Energy Corporation ("Andora"), which has interests in oil sands properties in Sawn Lake, Alberta, convertible loans receivable from Andora, 100% ownership in Pan Orient Energy Holdings Ltd. ("POEH") with legacy subsidiaries which had held interests in Indonesia, and working capital and non-current deposits. CanAsia assumed all liabilities related to Pan Orient's non-Thailand business, consisting primarily of accounts payable and accrued liabilities included in working capital and the decommissioning provision.

The assets acquired by CanAsia under the Arrangement were recorded at the carrying amount from the accounting records of Pan Orient as the transaction was considered a common control acquisition under IFRS. The carrying value of the net assets acquired by CanAsia under the Arrangement of \$6,980 was allocated 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	(3,397)
<u>Non-controlling interest in Andora</u>	<u>1,186</u>
Ascribed value of common shares issued under the Arrangement	<u>\$ 6,980</u>

(1) Includes outstanding balances on convertible credit facilities.

In November 2022, CanAsia increased its ownership of Andora to 88.2% as a result of converting a loan receivable from Andora into additional shares. Andora's principal asset is the Sawn Lake heavy oil property in Northern Alberta which has no production and does not produce positive operating cash flows. The continued development of the property and the commencement of production therefrom is dependent on numerous factors including commodity pricing, access to capital, availability of supplies and services and various other economic and environmental factors. There are no assurances that the property will produce commercial quantities of oil that will be sufficient to support the ongoing operations of the Company.

On February 28, 2023, the board of directors of Andora accepted a formal proposal made by CanAsia with respect to a transaction (the "Transaction") whereby the outstanding shares of Andora will be consolidated on a 211,283,457:1 basis (the "Consolidation"); and all fractional shares resulting from the Consolidation will be redeemed (the "Redemption") by Andora and cancelled, and the holders of Andora shares, other than CanAsia, will be entitled to receive a cash redemption payment of \$0.044 for each pre-Consolidation share of Andora (the "Consideration"). Following the Transaction, CanAsia, which currently owns 88.2% of the outstanding shares of Andora, will own 100% of the issued and outstanding shares of Andora.

Completion of the Transaction is subject to satisfaction of certain conditions, including that all issued and outstanding options to acquire shares of Andora will be either exercised or surrendered for their "in-the-money" value. CanAsia has agreed that it will provide to Andora, by loan or otherwise, sufficient funds to pay the Consideration, make any payments to holders of Andora options, and pay Andora's reasonable expenses of the Transaction.

The Transaction is subject to approval by shareholders of Andora at a special meeting to be held on March 27, 2023. Pursuant to the CanAsia proposal accepted by Andora on February 28, 2023, CanAsia has agreed to vote in favor of the Transaction and it is anticipated that the Transaction will be approved. If all other conditions to the Transaction becoming effective are also satisfied or waived, it is expected that the Transaction will be effected on or around the date of the special meeting.

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

As at December 31, 2022, management of CanAsia asserted that the entity has sufficient resources available to fund current activity levels for at least twelve months from the balance sheet date. However, additional capital will be required to fund the commercial development of the Sawn Lake property and future international concessions, if obtained. The amount of capital required could be material and there are no assurances that the Company will be able to access the necessary funds when required.

All amounts are in Canadian dollars unless otherwise stated, and translation of items denominated in foreign currencies as at December 31, 2022 into Canadian dollars using December 31, 2022 exchange rates represent the net amount to CanAsia's interests unless otherwise stated.

Forward-Looking Statements

This MD&A contains forward-looking information within the meaning of securities laws. Forward-looking statements and information concerning anticipated financial performance are based on management's assumptions using information currently available. Material factors or assumptions used to develop forward-looking information include potential business prospects, growth strategies, the ability to add production and reserves through development and exploration activities, projected capital costs, government legislation, well performance, the ability to market production, the commodity price environment and quality differentials and exchange rates. Although management considers its assumptions to be reasonable based on these factors, they may prove to be incorrect.

Forward-looking information is generally identifiable by the terminology used, such as "expect", "believe", "estimate", "should", "anticipate" and "potential" or other similar wording. Forward-looking information in this MD&A may include, but is not limited to, references to: estimates of recoverable contingent resources and the net present value thereof; forward prices for Western Canada Select heavy oil; the strength of the Company's financial position; the need for and availability of additional capital; plans for development of the Sawn Lake heavy oil project; the proposed Transaction to purchase Andora common shares held by minority shareholders; and the anticipated onshore Thailand oil and gas licensing round. By their very nature, the forward-looking statements contained in this MD&A require the Company and its management to make assumptions that may not materialize or that may not be accurate. The forward-looking information contained in this MD&A is subject to known and unknown risks and uncertainties and other factors, which could cause actual results, expectations, achievements or performance to differ materially, including without limitation: imprecision of resources estimates and estimates of recoverable quantities of oil, changes in project schedules, operating and reservoir performance, the effects of weather and climate change, the results of exploration and development drilling and related activities, changes in demand for oil and gas, the results of commercial negotiations, the timing and outcome of applications for government approvals, other technical and economic factors or revisions and other factors, many of which are beyond the control of CanAsia. Although CanAsia believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

The Company has provided or may provide forward-looking information with respect to resources estimates related to Canada and estimated costs associated with work commitments in Canada. Resources estimates are prepared by independent reservoir engineers and there are numerous uncertainties inherent in estimating quantities of oil and the cash flows to be derived therefrom. In general, estimates of economically recoverable volumes and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves recovery, timing and amount of capital expenditures, marketability of commodities, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of resources volumes are only attempts to define the degree of speculation involved. The Company's actual production, revenues and development and operating expenditures with respect to its resources estimates will vary from estimates thereof and such variations could be material. The Company's estimated commitments are based on internally prepared budgets and assumptions and, in the case where a tender process has been completed, actual contracted amounts. The estimated expenditures as provided by management will vary from the actual amounts required to carry out these commitments, and the difference may be significant.

Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking information. These risks and uncertainties include, but are not limited to: commodity price volatility; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of estimated resources volumes; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; and changes in government legislation and regulations, including royalty and tax laws.

The forward-looking statements contained herein are as of March 14, 2023 and are subject to change after this date. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive and as such undue reliance should not be placed on forward-looking statements. Except as required by applicable securities laws, with the exception of events or circumstances that occurred during the period to which this MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information that was previously disclosed to the public, the Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP and Other Financial Measures

Management uses and reports certain "non-GAAP financial measures" and "capital management measures", as such terms are defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112"). These non-GAAP financial measures and capital management measures are used by management in the evaluation of operating and financial performance and are described in further detail below. Non-GAAP financial measures and capital management measures are not standardized financial measures under generally accepted accounting principles ("GAAP") and might not be comparable to similar financial measures disclosed by other issuers where similar terminology is used.

Non-GAAP Financial Measures

A non-GAAP financial measure is defined in NI 52-112 as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation. The non-GAAP financial measures used herein are not standardized financial measures under GAAP and might not be comparable to similar measures presented by other companies where similar terminology is used. Readers are cautioned that non-GAAP financial measures should not be construed as alternatives to or more meaningful than the most directly comparable GAAP measures as indicators of performance.

Capital Management Measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity.

The following is a description of the non-GAAP financial and capital management measure used in this MD&A.

Working Capital and Non-current Deposits

CanAsia calculates "working capital and non-current deposits" as current assets less current liabilities plus non-current deposits. This measure, calculated on a consolidated basis using information in CanAsia's consolidated financial statements, is used to assess efficiency, liquidity and the general financial strength of the Company.

(\$000s)	December 31, 2022	May 27, 2022 (date of incorporation)
Current assets	9,382	-
Current liabilities	(3,990)	-
Working capital	5,392	-
Non-current deposits	852	-
Working capital and non-current deposits	6,244	-

Petroleum and Natural Gas Properties

The Company's interests in principal properties consist of the undeveloped Canadian oil sands leases, held by Andora. All Production Sharing Contracts in Indonesia held by subsidiaries of POEH have expired or been relinquished. The Company is withdrawing from its interests in Indonesia.

Canada

Andora is a private oil company, in which CanAsia has an 88.2% ownership. Andora has interests in 27 sections (24.25 net sections) of Sawn Lake Alberta Crown oil sands within the central Alberta Peace River Oil Sands area. Andora is focused on developing the bitumen resources at the Sawn Lake property using steam-assisted gravity drainage ("SAGD") development. Andora is the operator of five oil sands leases with 27 gross sections (24.25 net sections) at Sawn Lake, where it has a working interest of either 75% or 100%.

The December 31, 2022 Contingent Bitumen Resources Report (the "Resources Report"), a National Instrument 51-101 compliant resources evaluation of Andora's oil sands interests at Sawn Lake Alberta based on exploitation using SAGD as evaluated by Sproule Associates Limited, assigned unrisks "Best Estimate" contingent resources for Andora of 292.2 million barrels of bitumen recoverable (257.7 million barrels net to CanAsia's 88.2% interest in Andora). The Sawn Lake operations are currently suspended. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent resources volumes estimated in the Resources Report are considered contingent until such time as there are additional delineation wells confirming reservoir quality and continuity, refinement of the commercial development plan, regulatory approval for full field development, corporate commitment to move forward and financing for commercial development. There is uncertainty that it will be commercially viable to produce any portion of the reported contingent resources volumes.

The Sawn Lake property is at a pre-commercial stage and the commercial viability of the SAGD recovery process at Sawn Lake has not yet been established. No proved or probable reserves were assigned at December 31, 2022.

Summarized financial information with respect to Andora is as follows:

Andora Energy Corporation	As at and for the period from August 25, 2022 to December 31, 2022
(\$000s)	
Total assets	1,507
Total liabilities	4,593
Net loss	277

Indonesia

CanAsia has a 100% ownership in POEH with legacy subsidiaries which had held interests in Indonesia. The Company is withdrawing from activities in Indonesia, and is working to finalize abandonment and reclamation activities and settle all remaining obligations in the country. Costs associated with Indonesia are included in general and administrative expense.

Financial and Operating Results

	Three Months Ended December 31, 2022	Period from May 27, 2022 (date of incorporation) to December 31, 2022 ⁽¹⁾
<i>(\$000s of Canadian dollars except where indicated)</i>		
FINANCIAL		
Financial Statement Results		
Net loss attributable to common shareholders	(780)	(725)
Per share – basic and diluted	\$ (0.02)	\$ (0.01)
Cash flow used in operating activities ⁽²⁾	(514)	(617)
Per share – basic and diluted	\$ (0.01)	\$ (0.01)
Cash flow (used in) from financing activities ⁽²⁾	(9)	9,310
Per share – basic and diluted	\$ (0.00)	\$ 0.19
Working capital and non-current deposits	6,244	6,244
Long-term debt	-	-
Shares outstanding (000s)	49,794	49,794
General and administrative expense	(565)	(782)
Operating expense	(113)	(149)
Stock-based compensation	(93)	(96)
Amortization	(13)	(17)
Decommissioning (expense) recovery	(70)	3
Finance income	63	70
Foreign exchange (loss) gain	(77)	231
Deferred income tax recovery (expense)	68	(22)
Net loss attributable to non-controlling interest in Andora	20	37
Net loss attributable to common shareholders	(780)	(725)
CONTINGENT RESOURCES		
CanAsia's 88.2% share of the oil sands leases of Andora at Sawn Lake, Alberta	(Note 3)	

(1) Represents financial results from completion of the Arrangement on August 25, 2022 to December 31, 2022.

(2) As set out in the Consolidated Statements of Cash Flows in CanAsia's Consolidated Financial Statements.

(3) The evaluation of Andora's contingent resources of the oil sands project at Sawn Lake Alberta, Canada as at December 31, 2022 was conducted by Sproule Associates Limited. Andora's unrisks "Best Estimate" contingent resources were 292.2 million barrels (257.7 million net to CanAsia's interest in Andora) of recoverable bitumen as at December 31, 2022 using forecast prices at December 31, 2022.

HIGHLIGHTS

- CanAsia had working capital and non-current deposits totaling \$6.2 million and no long-term debt at December 31, 2022.
- Common shares outstanding were 49.8 million at March 14, 2023 and December 31, 2022.
- Net loss attributable to common shareholders for the fourth quarter of 2022 and the period from May 27, 2022 (date of incorporation) to December 31, 2022 was \$780 thousand (\$0.02 per share) and \$725 thousand (\$0.01 per share), respectively. Cash flow used in operations for the fourth quarter of 2022 and the period from May 27, 2022 (date of incorporation) to December 31, 2022 was \$514 thousand (\$0.01 per share) and \$617 thousand (\$0.01 per share), respectively. Non-quarterly financial results are from completion of the Arrangement on August 25, 2022 to December 31, 2022.
- General and administrative expense in the three-month period ending December 31, 2022 and the period from May 27, 2022 to December 31, 2022 of \$565 thousand and \$782 thousand, respectively, comprised primarily of expenses related to personnel and premises, external services, and public company costs.
 - Personnel and premises costs in the three-month period ending December 31, 2022 and the period from May 27, 2022 to December 31, 2022 were \$171 thousand and \$260 thousand, respectively. These costs include salaries, and benefits for employees, and fees incurred for consultants and contractors. They also include rent and other office costs related to the Company's Calgary offices.
 - External services costs in the three-month period ending December 31, 2022 and the period from May 27, 2022 to December 31, 2022 were \$283 thousand and \$377 thousand, respectively, and they are mainly related to professional fees for legal, audit and tax services. Costs were also incurred for information technology, banking and payroll services.
 - Public company costs in the three-month period ending December 31, 2022 and the period from May 27, 2022 to December 31, 2022 were \$98 thousand and \$128 thousand, respectively. These are costs relating to maintaining the Company's status as a public company, and include TSXV fees, transfer agent fees, publication fees and fees associated with directorship of a public company.
- Operating expenses in the three-month period ending December 31, 2022 and the period from May 27, 2022 to December 31, 2022 was \$113 thousand and \$149 thousand, respectively, and were incurred to safeguard and maintain the assets of Andora's suspended Steam Assisted Gravity Drainage project facility and wellpair at Sawm Lake Central.
- Pursuant to the Arrangement, CanAsia assumed from Pan Orient two convertible loan agreements with Andora on August 25, 2022. Under the agreements, Andora could draw up to \$2.5 million against one revolving credit facility (the "First Credit Facility") and up to \$1.3 million against the second revolving credit facility (the "Second Credit Facility"). The loans bear interest at HSBC Canada prime rate for commercial loans in Canadian dollars plus three percent, per annum. Any principal drawn against the respective credit facilities, including accrued interest (collectively, the "outstanding amount"), was repayable upon demand by CanAsia or by December 31, 2022, whichever was earlier. Security for repayment of any outstanding amounts is provided by a general security agreement creating a first fixed charge over all of Andora's property, subject to certain permitted encumbrances. CanAsia has the option to convert the outstanding amounts, or a portion thereof, into Andora's common shares, at a price of \$0.15 per share under the First Credit Facility and at a price of \$0.01 per share under the Second Credit Facility.

In November 2022, CanAsia and Andora agreed to extend the maturity date of the First Credit Facility by one year, so that any amount drawn against the facility, including accrued interest, is now repayable upon demand or no later than December 31, 2023, whichever is earlier. Also, in November 2022, CanAsia, at its election, converted the outstanding amount of the Second Credit Facility into 139,427,534 common shares of Andora, and the facility was terminated.

As at December 31, 2022, a total of \$2.5 million was fully drawn against the First Credit Facility and the related outstanding amount is not expected to be collected from Andora in the foreseeable future.

- The current portion of the decommissioning provision of \$0.9 million as at December 31, 2022 relates to the legacy subsidiaries of POEH which had held interests in the East Jabung and Jambi Production Sharing Contracts in Indonesia. CanAsia is withdrawing from activities in Indonesia and decommissioning related costs are expensed when incurred. The non-current portion of the decommissioning provision of \$1.5 million as at December 31, 2022 pertained to Andora's interests in Sawm Lake, Alberta.
- Andora's December 31, 2022 Contingent Resources Report estimated unrisks "Best Estimate" contingent resources of 292.2 million barrels of recoverable bitumen (257.7 million barrels net to CanAsia's 88.2% interest in Andora).

OUTLOOK

First quarter of 2023 activities were focused mainly on the Andora restructuring and included an updated Sawn Lake contingent resources report, effective December 31, 2022. It is anticipated that remaining first quarter of 2023 activities will be directed towards continued Sawn Lake pre start-up related activities and the monitoring of an onshore Thailand oil and gas licensing round that is anticipated to be announced in 2023, possibly as soon as the late second quarter.

Liquidity and Capital Resources

At December 31, 2022, CanAsia's working capital plus non-current deposits amounted to \$6.2 million. The Company's outstanding commitments were estimated to be \$1.7 million at December 31, 2022, relating to the natural gas pipeline tariff at Sawn Lake, Alberta and represent the Company's 75% portion.

Non-current deposits of \$0.9 million at December 31, 2022 consisted of deposits placed with the Alberta Energy Regulator in Canada for the interests of Andora at Sawn Lake. At December 31, 2022, the decommissioning provision was estimated at \$1.5 million for Andora's wells and facilities in Canada and \$0.9 million for the discontinued Indonesia operations.

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

As at December 31, 2022, management of CanAsia asserted that the entity has sufficient resources available to fund current activity levels for at least twelve months from the balance sheet date. However, additional capital will be required to fund the commercial development of the Sawn Lake property and future international concessions, if obtained. The amount of capital required could be material and there are no assurances that the Company will be able to access the necessary funds when required.

Share Capital

Outstanding (000s)	March 14, 2023	December 31, 2022	May 27, 2022
Common shares	49,794	49,794	-

The Company issued one common share upon incorporation on May 27, 2022. Pursuant to the Arrangement, 49,793,906 common shares were issued to the holders of Pan Orient common shares on August 25, 2022.

Foreign Exchange

The Company's reporting currency is the Canadian dollar and its functional currencies are the Canadian dollar and the U.S. dollar. In each reporting period, changes in the values of the U.S. dollar relative to the Company's reporting currency are recognized. The period end rates used to translate the Company's U.S. dollar denominated financial statement items for the reporting periods are as follows:

	2022		
	Q4	Q3	August 25 (date of Arrangement)
Rate at end of period CAD / USD exchange	1.3544	1.3707	1.2937

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign subsidiaries, and at December 31, 2022 the Company held \$6.5 million denominated in U.S. dollars as cash and cash equivalents. The foreign subsidiaries had \$2.0 million in accounts payable and accrued liabilities denominated in U.S. dollars. The foreign exchange gain of \$0.2 million resulted from the U.S. dollar strengthening against the Canadian dollar.

Summary of Quarterly Results

	2022		
	Q4	Q3	Period from May 27, 2022 to June 30, 2022
Financial (\$000s) except as indicated ⁽¹⁾			
Finance income	63	7	-
Cash flow used in operating activities	(514)	(103)	-
Working capital and non-current deposits	6,244	6,927	-
Shares outstanding (000s)	49,794	49,794	-
Net (loss) income and comprehensive (loss) income ⁽²⁾	(780)	55	-
Per share - basic and diluted ⁽²⁾	\$ (0.02)	\$ 0.00	\$ 0.00

(1) Amounts presented are set out in CanAsia's Consolidated Financial Statements.

(2) Attributable to common shareholders.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.



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