



**CANASIA ENERGY CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023**

May 14, 2024

## **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 May 14, 2024 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes attached thereto for the three months ended March 31, 2024 (the "financial statements"). The financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

CanAsia 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

The 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 \$0.9 million during the first quarter of 2024. However, CanAsia has working capital (current assets less current liabilities of \$6.4 million as at March 31, 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 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 January 2024 and December 2023, 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 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 the financial statements and that the Company will meet its operating and capital requirements as they arise. The 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.

All amounts disclosed herein (other than per share amounts) are in Canadian dollars unless otherwise stated, and translation of items denominated in foreign currencies as at March 31, 2024 into Canadian dollars using March 31, 2024 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 applicable Canadian 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; the strength of the Company's financial position; the need for and availability of additional capital; the closing of the Sales Transaction (as defined herein) and consolidating a 100% working interest in the Sawn Lake heavy oil project; statements with respect to crystallizing value/monetizing the Sawn Lake asset; 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. With respect to the forward-looking statements contained in this MD&A, the Company has made assumptions regarding, among other things, estimated resource volumes; the Sawn Lake development plan, including the timing and cost thereof; the commercial viability of producing CanAsia's resources; sources of funding; current and future commodity prices and royalty rates and regimes; the timing and outcome of Court and regulatory approvals; availability of skilled labour; timing and amount of capital expenditures; future cash flows; future exchange rates; the impact of competition; general economic and financial conditions; the availability of drilling and other equipment; the effectiveness of technologies; future bitumen production; effects of regulation by governmental agencies; future operating costs; the timing of Thailand's onshore concession bid round; and other matters.

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; inability to access sufficient capital or generate sufficient cash flow to fund the Sawn Lake development plan; adverse outcomes of court or regulatory proceedings; delays in court or regulatory proceedings; delays in Thailand's onshore concession bid round; 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; commodity price volatility; uncertainty of production estimates; impact of the changes in the economy; well performance and marketability of production; transportation and refining availability and costs; exploration and development costs; the recoverability of estimated resources volumes; failure of new technologies to achieve expected results; the Company's ability to add reserves through development and exploration activities; fluctuations in currency exchange rates; changes in government legislation and regulations, including royalty and tax laws; the results of commercial negotiations, the timing and outcome of applications for government approvals; other technical and economic factors or revisions, including the risks and uncertainties set forth under "Risks and Uncertainties" in CanAsia's MD&A for the year ended December 31, 2023 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 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.

The forward-looking statements contained herein are as of May 14, 2024 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.

### Capital Management Measures

Management uses and reports certain “capital management measures”, as such term is defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* (“NI 52-112”). These capital management measures are used by management in the evaluation of operating and financial performance and are described in further detail below.

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 capital management measure used in this MD&A.

#### Working Capital

CanAsia calculates “working capital” as current assets less current liabilities. 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)	March 31, 2024	December 31, 2023
Current assets	10,517	10,125
Current liabilities	(4,140)	(4,207)
Working capital	6,377	5,918

### Petroleum and Natural Gas Properties

The Company’s interests in principal properties consist of the undeveloped Canadian oil sands leases, held by Andora Energy Corporation (“Andora”). All Production Sharing Contracts in Indonesia held by subsidiaries of Pan Orient Energy Holdings Ltd. (“POEH”) have expired or been relinquished. The Company is withdrawing from its interests in Indonesia.

#### **Canada**

Andora is a private oil company wholly-owned by CanAsia. Andora has interests in the 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% at March 31, 2024.

On April 29, 2024, the Company announced that Andora has been selected as the successful bidder pursuant to a Court approved sales and investment solicitation process (“SISP”) to acquire certain assets (the “Assets”) of Northern Alberta Oil Ltd. (“NAOL”) and Deep Well Oil & Gas (Alberta) Ltd. (“Deep Well” and, together with NAOL, the “Debtors”), including the Debtors’ 25% working interest in 11 sections of the Sawn Lake Central block, from Ernst & Young Inc. (the “Receiver”), as receiver and manager of certain of the Debtors’ present and after-acquired properties, assets and undertakings, for a purchase price equal to \$2.0 million (which includes the assumption of various obligations and a credit component of approximately \$0.7 million).

Following Andora’s successful bid, Andora and the Receiver entered into an amended and restated agreement (the “Sales Agreement”) of purchase and sale dated as of April 29, 2024 providing for the sale of the Assets to Andora (the “Sales Transaction”). On May 14, 2024, the Court of King’s Bench of Alberta approved the Sales Transaction and the Sales Agreement and the vesting of the Assets in the name of Andora upon closing of the Sales Transaction, which is expected to occur on or about May 17, 2024.

Following closing of the Sales Transaction, Andora’s working interest in the 11 gross sections at the Sawn Lake Central block will increase from 75% to 100%.

The December 31, 2023 Contingent Bitumen Resources Report (the “Resources Report”), a National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* 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 risked “Best Estimate” contingent resources for Andora of 244.2 million barrels of bitumen recoverable. 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 March 31, 2024 or December 31, 2023.

The Resources Report identified key positive and negative factors for development of the Bluesky formation in the Sawn Lake area. Key positive factors include: the abundance of well data available from penetrations on and surrounding Andora lands (petrophysical, geophysical and production history); the presence of successful analog SAGD projects; and the successful pilot project at the 16-30-91-12W5M location. Key negative factors include: access to the funding required to develop the resource base; sensitivity to low commodity pricing which will impact the economics of development; environmental and regulatory approval for approval of bitumen development, pipelines and other infrastructure; higher Alberta or Federal Carbon tax, income tax or royalties; and market egress.

### ***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

(\$000s of Canadian dollars except where indicated)	Three months ended March 31,	
	2024	2023
<b>FINANCIAL</b>		
<b>Financial Statement Results</b>		
Net loss attributable to common shareholders <sup>(1)</sup>	<b>(601)</b>	(1,265)
Per share – basic and diluted	<b>\$ (0.01)</b>	\$ (0.03)
Cash flow used in operating activities <sup>(2)</sup>	<b>(919)</b>	(84)
Per share – basic and diluted	<b>\$ (0.01)</b>	\$ (0.00)
Cash flow used in investing activities <sup>(2)</sup>	-	(1,580)
Per share – basic and diluted	-	\$ (0.03)
Cash flow from (used in) financing activities <sup>(2)</sup>	<b>1,140</b>	(2)
Per share – basic and diluted	<b>\$ 0.01</b>	\$ (0.00)
Working capital	<b>6,377</b>	3,099
Shareholders' equity <sup>(3)</sup>	<b>5,502</b>	2,194
Weighted average shares outstanding (000s)	<b>100,720</b>	49,794
General and administrative expense <sup>(1)</sup>	<b>(645)</b>	(529)
Operating expense <sup>(1)</sup>	<b>(185)</b>	(90)
Natural gas pipeline tariff recovery (provision) <sup>(1)</sup>	<b>71</b>	(901)
Stock-based compensation <sup>(1)</sup>	<b>(9)</b>	(38)
Amortization <sup>(1)</sup>	<b>(14)</b>	(16)
Decommissioning recovery <sup>(1)</sup>	<b>42</b>	46
Gain on sale of equipment <sup>(1)</sup>	-	100
Finance income <sup>(1)</sup>	<b>134</b>	83
Foreign exchange gain <sup>(1)</sup>	<b>5</b>	31
Deferred income tax recovery <sup>(1)</sup>	-	22
Net loss attributable to non-controlling interest in Andora <sup>(1)</sup>	-	27
Net loss attributable to common shareholders <sup>(1)</sup>	<b>(601)</b>	(1,265)

(1) As set out in the Consolidated Statements of Operations and Comprehensive Loss in CanAsia's Consolidated Financial Statements.

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

(3) As set out in the Consolidated Statements of Changes in Shareholders' Equity in CanAsia's Consolidated Financial Statements.

## HIGHLIGHTS

- CanAsia had working capital totaling \$6.4 million, no long-term debt and shareholders' equity of \$5.5 million at March 31, 2024.
- Common shares outstanding were 112.8 million at May 14, 2024 and at March 31, 2024.
- On April 29, 2024, the Company announced that Andora has been selected as the successful bidder to acquire certain Assets of the Debtors, including the Debtors' 25% working interest in 11 sections of the Sawn Lake Central block, from the Receiver for a purchase price equal to \$2.0 million (which includes the assumption of various obligations and a credit component of approximately \$0.7 million). Following Andora's successful bid, Andora and the Receiver entered into the Sales Agreement of purchase and sale dated as of April 29, 2024 providing for the Sales Transaction. On May 14, 2024, the Court of King's Bench of Alberta approved the Sales Transaction and the Sales Agreement and the vesting of the Assets in the name of Andora upon closing of the Sales Transaction, which is expected to occur on or about May 17, 2024. Following completion of the Sales Transaction, Andora's working interest in the 11 gross sections at the Sawn Lake Central block will increase from 75% to 100%.
- On January 16, 2024, the Company completed a brokered private placement financing 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 for common shares at a price of \$0.10 per common share for a period of two years from the issue date.
- On December 21, 2023, the Company completed a brokered private placement financing 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. Each broker warrant is exercisable for common shares at a price of \$0.10 per common share for a period of two years from the issue date.
- Net loss attributable to common shareholders in the first quarter of 2024 was \$0.6 million (\$0.01 per share) compared to \$1.3 million (\$0.03 per share) in the first quarter of 2023.
- Cash flow used in operations in the first quarter of 2024 was \$0.9 million (\$0.01 per share) compared to \$0.1 million (\$0.00 per share) in the first quarter of 2023.
- General and administrative expense in the first quarter of 2024 was \$645 thousand compared to \$529 thousand in the first quarter of 2023. General and administrative expense is comprised primarily of expenses related to personnel and premises, external services, and public company costs. The increase was mainly due to higher legal fees related to enforcement actions against joint venture interest holders and engineering costs.
- Operating expenses in the first quarter of 2024 were \$185 thousand compared to \$90 thousand in the first quarter of 2023. These expenses were incurred to safeguard and maintain the assets of Andora's suspended SAGD project facility and wellpair at Sawn Lake Central.
- The current portion of the decommissioning provision of \$0.6 million as at March 31, 2024 relates to the legacy subsidiaries of POEH which had held interests in the East Jabung Production Sharing Contract in Indonesia and a well pertaining to Andora's interests in Sawn Lake, Alberta. CanAsia is withdrawing from activities in Indonesia and decommissioning related costs are expensed when incurred. The non-current portion of the decommissioning provision of \$1.4 million as at March 31, 2024 pertained to Andora's interests in Sawn Lake, Alberta.

## OUTLOOK

Activities throughout the remainder of 2024 will be focused on crystalizing value/monetizing the Sawn Lake asset and ramping up activities related to the Thailand onshore 25<sup>th</sup> bid round, when it is announced. Global oil prices are expected to play a substantial role in the timing of any activities related to Sawn Lake and possibly the timing of the announcement of the Thailand bid round.

### Liquidity and Capital Resources

At March 31, 2024, CanAsia's working capital was \$6.4 million (including the current portion of the natural gas pipeline tariff provision of \$0.3 million and the current portion of the decommissioning provision of \$0.6 million). Non-current deposits of \$0.9 million consisted of deposits placed with the Alberta Energy Regulator in Canada for the interests of Andora at Sawn Lake. The non-current portion of the natural gas pipeline tariff provision was \$0.7 million and the non-current portion of the decommissioning provision was estimated at \$1.4 million for Andora's wells and facilities in Canada.

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

As at March 31, 2024, CanAsia had sufficient resources available to fund shorter term activity levels. 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)	May 14, 2024	March 31, 2024	December 31, 2023
Common shares	112,794	112,794	100,214
Stock options	1,675	1,675	1,675
Broker warrants	1,850	1,850	1,825
Total	116,319	116,319	103,714

### 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:

	2024	2023				2022	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rate at end of period, CAD / USD exchange	1.3550	1.3226	1.3520	1.3240	1.3533	1.3544	1.3707

The Company holds U.S. dollars within Canada to meet U.S. dollar cash requirements of its foreign subsidiaries, and at March 31, 2024 the Company held \$3.2 million denominated in U.S. dollars as cash and cash equivalents. The foreign subsidiaries had \$2.1 million in accounts payable and accrued liabilities denominated in U.S. dollars. The foreign exchange gain of \$5 thousand during the quarter ended March 31, 2024 resulted from the U.S. dollar strengthening against the Canadian dollar.



## Summary of Quarterly Results

	2024	2023				2022		Period from May 27, 2022 to June 30, 2022 <sup>(1)</sup>
	Q1	Q4	Q3	Q2	Q1	Q4	Q3 <sup>(1)</sup>	
<b>Financial (\$000s) except as indicated</b> <sup>(2)</sup>								
Finance income	134	70	67	73	83	63	7	-
Cash flow used in operating activities	(919)	(389)	(481)	(1,053)	(84)	(514)	(103)	-
Working capital	6,377	5,918	2,095	2,395	3,099	5,370	6,083	-
Shareholders' equity	5,502	4,952	1,396	1,536	2,194	5,128	5,835	-
Weighted average shares outstanding (000s)	100,720	55,822	49,794	49,794	49,794	49,794	49,794	-
Net income (loss) and comprehensive income (loss) <sup>(3)</sup>	(601)	(1,085)	(168)	(676)	(1,265)	(780)	55	-
Per share - basic and diluted <sup>(3)</sup>	\$ (0.01)	\$ (0.02)	\$ (0.00)	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ 0.00	\$ 0.00

(1) The Company was incorporated on May 27, 2022 but did not commence active operations until August 25, 2022.

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

(3) Attributable to common shareholders.

### Additional Information

Additional information relating to the Company can be found on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).



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