



CANASIA ENERGY CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND
PERIOD FROM MAY 27, 2022 (DATE OF INCORPORATION) TO SEPTEMBER 30, 2022**

November 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 November 14, 2023 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes attached thereto for the nine months ended September 30, 2023. 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. It was incorporated by Pan Orient Energy Corp. ("Pan Orient") pursuant to the Alberta Business Corporations Act on May 27, 2022. On August 25, 2022, Pan Orient completed an arrangement (the "Arrangement") that resulted in a third party acquiring Pan Orient (including its Thailand operations), and the Canadian assets and the discontinued Indonesia operations of Pan Orient being acquired by CanAsia. The CanAsia common shares began trading on the TSX Venture Exchange on August 29, 2022, under the stock trading symbol CEC. The records office and principal address of the Company is located at 1505, 505 – 3rd Street S.W., Calgary, Alberta, T2P 3E6.

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.

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. On February 28, 2023, the board of directors of Andora accepted a formal proposal made by CanAsia with respect to a transaction (the "Andora Transaction") whereby the outstanding shares of Andora were consolidated (the "Consolidation"); and all fractional shares resulting from the Consolidation were redeemed by Andora and cancelled, and the holders thereof would be entitled to receive a cash redemption payment of \$0.044 for each pre-Consolidation share of Andora. As part of the Andora Transaction all issued and outstanding options to acquire shares of Andora were surrendered for their "in-the-money" value. The Andora Transaction was approved by shareholders of Andora at a special meeting held on March 27, 2023. All other conditions to the Andora Transaction becoming effective were also satisfied or waived, and the Andora Transaction was completed on March 27, 2023. As a result of the Andora Transaction, Andora now has 1 common share outstanding. CanAsia, which previously owned 88.2% of the outstanding shares of Andora as at December 31, 2022, now owns 100% of Andora.

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.

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 currently not known.

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. The need to raise capital to fund general corporate activities, the potential restart of Sawn Lake and the acquisition and development of international concessions create a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

All amounts are in Canadian dollars unless otherwise stated, and translation of items denominated in foreign currencies as at September 30, 2023 into Canadian dollars using September 30, 2023 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; 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; 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 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 November 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.

Capital Management Measures

Canadian Securities Administrators National Instrument 52-112 - *Non-GAAP and Other Financial Measures Disclosure* 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.

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)	September 30, 2023	December 31, 2022
Current assets	6,018	9,360
Current liabilities	(3,923)	(3,990)
Working capital	2,095	5,370

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 wholly-owned by CanAsia. 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 – *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 risk "Best Estimate" contingent resources for Andora of 248.3 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 September 30, 2023.

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 September 30, 2023		2022 ⁽¹⁾		Nine months ended September 30, 2023	Period from May 27, 2022 to September 30, 2022 ⁽¹⁾	
(\$000s of Canadian dollars except where indicated)							
FINANCIAL							
Financial Statement Results							
Net income (loss) attributable to common shareholders ⁽²⁾	(168)	55	(2,109)	55			
Per share – basic and diluted	\$ (0.00)	\$ 0.00	\$ (0.04)	\$ 0.00			
Cash flow used in operating activities ⁽³⁾	(481)	(103)	(1,618)	(103)			
Per share – basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.00)			
Cash flow used in investing activities ⁽³⁾	(1)	-	(1,592)	-			
Per share – basic and diluted	\$ (0.00)	-	\$ (0.03)	-			
Cash flow from (used in) financing activities ⁽³⁾	(2)	9,319	(14)	9,319			
Per share – basic and diluted	\$ (0.00)	\$ 0.19	\$ (0.00)	\$ 0.19			
Working capital	2,095	6,083	2,095	6,083			
Shareholders' equity ⁽⁴⁾	1,396	5,835	1,396	5,835			
Shares outstanding (000s)	49,794	49,794	49,794	49,794			
General and administrative expense ⁽²⁾	(551)	(217)	(1,560)	(217)			
Operating expense ⁽²⁾	(110)	(36)	(345)	(36)			
Natural gas pipeline tariff provision ⁽²⁾	15	-	(886)	-			
Stock-based compensation ⁽²⁾	(28)	(3)	(95)	(3)			
Amortization ⁽²⁾	(16)	(4)	(48)	(4)			
Decommissioning recovery ⁽²⁾	417	73	410	73			
Gain on sale of equipment ⁽²⁾	-	-	100	-			
Finance income ⁽²⁾	67	7	223	7			
Foreign exchange gain ⁽²⁾	38	308	43	308			
Deferred income tax recovery (expense) ⁽²⁾	-	(90)	22	(90)			
Net loss attributable to non-controlling interest in Andora ⁽²⁾	-	17	27	17			
Net income (loss) attributable to common shareholders ⁽²⁾	(168)	55	(2,109)	55			

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

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

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

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

HIGHLIGHTS

- CanAsia had working capital totaling \$2.1 million, no long-term debt and shareholders' equity of \$1.4 million at September 30, 2023.
- Common shares outstanding were 49.8 million at November 14, 2023 and September 30, 2023.
- Net loss attributable to common shareholders for the third quarter of 2023 was \$0.2 million (\$0.00 per share) compared to \$0.7 million (\$0.01 per share) in the second quarter. Cash flow used in operations for the third quarter of 2023 was \$0.5 million (\$0.01 per share) compared to \$1.1 million (\$0.02 per share) in the second quarter.
- General and administrative expense in the third quarter of 2023 was \$551 thousand compared to \$480 thousand in the second quarter, comprised primarily of expenses related to personnel and premises, external services, and public company costs.
 - Personnel and premises costs in the third quarter of 2023 were \$180 thousand compared to \$171 thousand in the second quarter. 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 office.
 - External services costs in the third quarter of 2023 were \$225 thousand compared to \$177 thousand in the second quarter, mainly related to professional fees for legal, audit and tax services. The increase is mainly due to legal fees incurred for the enforcement actions against Andora's 25% working interest Sawn Lake partners and winding up costs of these subsidiaries of POEH.
 - Public company costs of \$88 thousand in the third quarter of 2023 compared to \$75 thousand in the second quarter were incurred for maintaining the Company's status as a public company.
- Operating expenses in the third quarter of 2023 were \$110 thousand compared to \$145 thousand in the second quarter. These were incurred to safeguard and maintain the assets of Andora's suspended Steam Assisted Gravity Drainage project facility and wellpair at Sawn Lake Central.
- The natural gas pipeline tariff agreement which was entered into between Andora and a third party in 2018 with a commencement date of June 1, 2023 is considered an onerous contract as of March 31, 2023 under IAS 37 since the operation at Sawn Lake is shut-in. The Company has recognized a provision of \$1.0 million representing the net cost of fulfilling the contract.
- The current portion of the decommissioning provision of \$0.7 million as at September 30, 2023 relates to the legacy subsidiaries of POEH which had held interests in the East Jabung Production Sharing Contract ("PSC") 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. During the third quarter of 2023, the Company revised its estimate of the decommissioning provision at the Jambi PSC resulting in a \$0.3 million reduction to the current decommissioning provision during the quarter. The non-current portion of the decommissioning provision of \$1.3 million as at September 30, 2023 pertained to Andora's interests in Sawn Lake, Alberta.

OUTLOOK

The Company took steps in 2023 to increase the value of Andora's Sawn Lake SAGD demonstration project. Andora's minority shareholders were bought out for cash, resulting in 100% ownership of Andora by CanAsia. Efforts were also made to deal with Andora's defaulting 25% partner in the Sawn Lake project. It is anticipated that Sawn Lake partner matters will be resolved by end of Q2 2024, allowing the Company to move forward to maximize the value of its Sawn Lake interest. The Company also fulfilled in 2023 various post-closing obligations to the purchaser under an August 2022 transaction that resulted in the sale of Pan Orient Energy Corp. and transfer to the Company of Pan Orient's non-Thailand business. Looking forward to 2024, the Company is aware that the Government of Thailand approved an onshore licensing round as indicated in the Royal Gazette. An announcement regarding the commencement of the licensing round is anticipated no later than Q1 2024. The Company is currently negotiating a joint bid and study agreement with other parties. The Company is confident that the necessary steps to create a stable growth platform, and maximize present and future shareholder value, will be in place in early to mid-2024.

Economic Uncertainty

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

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

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

The direct or indirect costs of compliance with greenhouse gas-related regulations and ESG directives may have an adverse effect on the Company's and its customers' businesses, financial condition, results of operations and prospects; however, at this time these costs have not yet been quantified.

Liquidity and Capital Resources

At September 30, 2023, CanAsia's working capital was \$2.1 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 \$0.7 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 \$1.3 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 September 30, 2023, CanAsia has 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)	November 14, 2023	September 30, 2023	December 31, 2022
Common shares	49,794	49,794	49,794
Stock options	1,675	1,675	1,675
Total	51,469	51,469	51,469

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:

	2023			2022		
	Q3	Q2	Q1	Q4	Q3	August 25 (date of Arrangement)
Rate at end of period, CAD / USD exchange	1.3520	1.3240	1.3533	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 September 30, 2023 the Company held \$3.1 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 \$38 thousand during the three months ended September 30, 2023 resulted from the U.S. dollar strengthening against the Canadian dollar.

Summary of Quarterly Results

	2023			2022		
	Q3	Q2	Q1	Q4	Q3 ⁽¹⁾	Period from May 27, 2022 to June 30, 2022 ⁽¹⁾
Financial (\$000s) except as indicated ⁽²⁾						
Finance income	67	73	83	63	7	-
Cash flow used in operating activities	(481)	(1,053)	(84)	(514)	(103)	-
Working capital	2,095	2,395	3,099	5,370	6,083	-
Shareholders' equity	1,396	1,536	2,194	5,128	5,835	-
Shares outstanding (000s)	49,794	49,794	49,794	49,794	49,794	-
Net income (loss) and comprehensive income (loss) ⁽³⁾	(168)	(676)	(1,265)	(780)	55	-
Per share - basic and diluted ⁽³⁾	\$ (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.sedar.com.



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