



# Asean Energy Corp

(FORMERLY RIFT BASIN RESOURCES CORP.)

## MANAGEMENT'S DISCUSSION & ANALYSIS

**For the Period Ended July 31, 2014**

The purpose of this Management Discussion and Analysis (MD&A) is to explain management's point of view regarding the past performance and future outlook of Asean Energy Corp. ("Asean Energy" or the "Company").

This report intends to complement and supplement the condensed financial statements and the related notes thereon (the "financial statements") as well as important trends and risk affecting the Company's financial performance, and should be read in conjunction with the financial statements and the accompanying notes for the period ended July 31, 2014. Financial statements of subsidiaries are included in the condensed consolidated financial statements from the date that control commences until the date that control ceases.

All financial information contained in this MD&A is current as of September 23, 2014 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars, unless otherwise specified.

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com), and the Company's website [www.aseanenergycorp.com](http://www.aseanenergycorp.com). The date of this MD&A is September 23, 2014.

### **FORWARD-LOOKING INFORMATION**

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for, deliveries of, and the level and volatility of commodity prices develop as expected; that the Company receives regulatory and governmental approvals as are necessary on a timely basis; that the Company is able to obtain financing as necessary on reasonable terms; that there is no unforeseen deterioration in the Company's activity costs; that the Company is able to continue to secure adequate transportation as necessary for its exploration activities; that the

Company is able to procure equipment and supplies, as necessary, in sufficient quantities and on a timely basis; that exploration activity timetables and capital costs for the Company's planned projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that the Company's estimates in relation to its natural resource interests are within reasonable bounds of accuracy and that the geological, operational and price assumptions on which these are based are reasonable; that no environmental and other proceedings or disputes arise; and that the Company maintains its ongoing relations with its employees, consultants and advisors.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

The forward looking statements contained herein are based on information available as of September 23, 2014.

## **DESCRIPTION OF BUSINESS & OUTLOOK**

Asean Energy Corp. (the "Company") was incorporated under the laws of British Columbia as "Mayen Minerals Ltd." on January 14, 1981. In connection with the transition from a mining issuer to oil and gas issuer, the Company completed a corporate name change to "Rift Basin Resources Corp." effective September 25, 2012, and its common shares commenced trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "RIF" as a Tier 2 mining issuer.

On August 12, 2013 the common shares of the Company were delisted from Tier 2 of the TSX-V and commenced trading on the NEX board under the trading symbol "RIF.H". NEX is a separate board of the TSX-V designed to provide a forum for the trading of publicly listed shell companies not carrying on an active business.

On August 25, 2014 the Company changed its name to Asean Energy Corp., delisted from the TSX-V and commenced trading on the Canadian Securities Exchange ("CSE") as an oil and gas issuer, trading under the symbol "ASA", under new CUSIP number 04366T106 and new ISIN CA04366T1066.

The Company is an exploration stage enterprise engaged in acquiring, exploring and developing oil and gas properties. The Company's strategic focus is to build a substantial junior, independent, international oil and gas exploration and development company focused primarily on oil field redevelopment opportunities and advanced-stage exploration and near-production opportunities in Southeast Asia.

Rift's objective is to leverage management's operational experience and contacts to establish a strategic foothold in the oil sector. Focus is on the review of historic data and local expertise to secure projects with near term cash flow potential, and acquire larger interests in earlier-stage projects where modest work programs could attract farm-outs in return for carried interests through exploration.

Indonesia and Malaysia in particular represent excellent oil and gas exploration jurisdictions, with established exploration and production activity, reasonable fiscal terms, and relative ease of doing business, where discoveries may be rapidly commercialized.

## **SIGNIFICANT EVENTS, TRANSACTIONS AND ACTIVITIES**

### **Stock split, name change, and change of business**

On August 27, 2012, the Company underwent a complete change of management. On September 25, 2012, the Company completed a two-for-one stock split. Following the stock split the Company had 41,233,200 post-Stock Split common shares issued and outstanding. Outstanding stock options and share purchase warrants and their respective exercise prices are also adjusted by the stock split.

The Company's name was changed from "Mayen Minerals Ltd." to "Rift Basin Resources Corp." and the Company's trading symbol changed from "MYM" to "RIF". The Company considers it appropriate to switch from being a mining issuer to an oil and gas issuer.

### **Non-brokered Private Placement History**

On August 27, 2012, the Company completed a non-brokered private placement of 19,430,000 units at the price of \$0.05 per unit, for net proceeds of \$971,500. Each unit consisted of one common share and one share purchase warrant, entitling the holder to purchase another common share of the Company for \$0.10 per share up to August 27, 2014.

On January 30, 2013, the Company completed a non-brokered private placement of 3,850,000 units at the price of \$0.10 per unit, for net proceeds of \$385,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the company for \$0.20 up to January 30, 2014, subject to the acceleration provision described below.

On March 12, 2013, the Company completed a non-brokered private placement of 3,800,000 units at the price of \$0.10 per unit, for net proceeds of \$380,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the company for \$0.20 up to March 12, 2014, subject to the acceleration provision described below.

On July 8, 2013 the Company completed a non-brokered private placement of 1,875,000 units at a price of \$0.08 per unit for gross proceeds of \$150,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the company for \$0.20 up to July 8, 2014, subject to the acceleration provision described below.

On October 18, 2013 the Company completed a non-brokered private placement of 6,300,000 units at a price of \$0.05 per unit for gross proceeds of \$315,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the company for \$0.20 up to October 18, 2014, subject to the acceleration provision described below.

On February 18, 2014 the Company completed a non-brokered private placement of 10,000,000 units at a price of \$0.05 per unit for gross proceeds of \$500,000. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the company for \$0.20 up to February 18, 2015, subject to the acceleration provision described below.

On May 7, 2014 the Company completed a non-brokered private placement of 10,100,162 units at a price of \$0.06 per unit for gross proceeds of \$606,010. Each unit consisted of one common share and one half common share purchase warrant, with one full warrant entitling the holder to purchase one common share of the company for \$0.20 up to May 7, 2015, subject to the acceleration provision described below.

On July 24, 2014 the Company arranged a \$75,000 non-brokered private placement to cover additional registered office setup and related costs in Indonesia. On August 29, 2014 the Company closed this funding through the issuance of 1,293,333 units at a price of \$0.06 per unit for gross proceeds of \$77,600. Each unit consisted of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.20 for a period of 12 months from the closing of the Offering, subject to the acceleration provision described below.

The Company is entitled to accelerate the expiry date of all the outstanding \$0.20 warrants to the date that is 30 days following the date the company issues a news release announcing that the published closing price of the common shares on the TSX Venture Exchange has been equal or greater than 30 cents for any 10 consecutive trading days after the statutory hold period.

### **Shares-for-debt settlements**

On November 26, 2013 the Company entered into a shares-for-debt agreement with an arm's length creditor. The Company issued 914,359 shares at a price of \$.05 per unit settling \$45,718 of Company payables. The creditor also wrote-off a further \$18,873 of debt owed by the Creditor to the Company.

On May 23, 2014 the Company entered into a shares-for-debt agreement with an arm's length creditor. The Company issued 1,024,944 shares at a price of \$.085 per unit settling \$87,124 of Company payables. The creditor also wrote-off a further \$31,826 of debt owed to the Creditor by the Company. The transaction closed on June 25, 2014.

### **Formation of Strategic Alliance**

On November 16, 2012 the Company announced that it has established a strategic alliance with Gulfsands Petroleum Plc, a London Stock Exchange-listed (AIM:GPX) issuer. The intention of this alliance is to facilitate the pursuit and acquisition of petroleum projects for mutual benefit. Gulfsands and/or its related parties have made equity investments in Asean Energy. Gulfsands' major focus is on the Middle East and North Africa, where it has oil exploration and development projects in the Syrian Arab Republic (currently suspended owing to sanctions), and oil and gas exploration projects in Tunisia and Morocco. Gulfsands is also operator of two exploration licences in Colombia.

### **Tunisian Activities**

#### **Letter of Intent to Farm-in on the Chorbane Exploration Permit**

On November 23, 2012 the Company announced that its wholly-owned subsidiary Rift Basin International Corp. entered into a Letter of Intent ("LOI") with Alpine Oil & Gas Pty Ltd. to farm-in on and have the right to earn a 15% participating interest in the Chorbane exploration permit located in Tunisia, and that strategic partner Gulfsands Petroleum was concurrently acquiring an additional interest to hold a 70% participating interest in the Chorbane exploration permit and become the operator.

#### **Independent Geological Report**

On December 7, 2012 the Company announced receipt of an independent engineering and economic evaluation (the "Geological Report") on the Chorbane exploration permit from Petrotech Engineering Ltd. of Burnaby, British Columbia. Petrotech was commissioned by the Company to prepare the Geological Report in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities - for both due diligence and regulatory filing purposes. The Geological Report was pre-filed with the TSX Venture Exchange for their review, and was accepted by the Exchange on December 13, 2012. Alpine Oil & Gas Pty Ltd. filed an official letter with ETAP (L'Entreprise Tunisienne d'Activités Pétrolières) on December 5, 2012 requesting approval for the transfer of a 15% working interest in the Permit from Alpine Oil & Gas Pty Ltd. to the Company.

#### **Farm-in on the Chorbane Exploration Permit**

On December 21, 2012 the Company announced that its wholly-owned subsidiary Rift Basin International Corp. entered into a definitive farm-in agreement with Alpine Oil & Gas Pty Ltd. to farm-in on and have the right to earn a 15% participating interest in the Chorbane exploration permit located in Tunisia. The Company, through Rift Basin International, would earn an undivided 15-per-cent working interest in the permit upon completion of a payment schedule and receipt of regulatory approvals. As a result of difficult market conditions and use of funds limitations mandated by the TSX Venture Exchange, the Company had to maintain a wait and see posture with respect to completing the earn-in terms and conditions, hoping to renegotiate the farm-in agreement on more practical terms. ETAP, the Tunisia state-owned entity responsible for the petroleum sector and the state's partnerships with foreign exploration and production operators, approved the transaction in late December 2012.

#### **Abandonment of Tunisian Initiatives**

Q1 2013 saw significant activity with extensive data collection, several funding initiatives and additional project assessment efforts by our Tunisian working team, focused on high-impact and near-production opportunities in Libya, Gabon, Congo, Egypt, Tunisia, Mauritania, Jordan and Chad. Our partnership with Gulfsands Petroleum Plc provides Asean Energy with an established operating partner with a robust balance sheet, enabling a strong negotiating position when executing production sharing and farm-in agreements in the Middle East and North Africa area. The Company sought to create an extensive inventory of drill ready prospects to either acquire outright or farm-in on, or to leverage into some high impact projects that would attract a partner or funding interest.

Unfortunately, due to the deteriorating state of the capital markets, declining receptivity towards exploration opportunities, and despite the advantages of Asean Energy's management and the technical team's expertise with government ministers, state oil officials, senior and emerging producers alike, the Company was frustrated in its efforts to fund its interest in the Chorbane exploration permit. The Company's cash position and burn rate became an increasingly critical concern to management.

By early March 2013, the Company's management determined that a shift in geographic focus was also necessary to identify and acquire proven undeveloped, marginal field and potential near-term cash flow opportunities that can be brought online quickly. Management concluded that given the risk-off environment and difficult market conditions, carefully selected high impact exploration prospects would provide the best chance of attracting financing, preferably in conjunction with a strategic partner.

### **Indonesian Operations**

On May 3, 2013, following an exploratory trip to Indonesia, the Company announced entering into a Memorandum of Understanding (“MOU”) to evaluate and redevelop an onshore multi-reservoir oil field located in Bojonegoro, East Java, Indonesia known as the Dandangilo & Beji Block, containing 110 existing wells within an 80km<sup>2</sup> area. The block is located approximately 15km north of ExxonMobil’s 600MMbbl Cepu discovery, and a similar distance to the south of CNOOC’s Block Tuban (PT Petrochina). The Company also announced a non-brokered private placement of up to \$500,000 at a price of \$0.10 per unit to fund the due diligence and prospect evaluation. On May 14, 2013 the Company re-priced the private placement price from \$0.10 to \$0.08 to accommodate several existing arms-length shareholders expressing an interest to participate.

On June 5, 2013 the Company announced the execution of an MOU with PT Sinergi Wijaya Kusumah (“PT Sinergi”), superseding the trilateral arrangements announced on May 3, 2013. Following site reconnaissance by Asean Energy’s technical team, and assessment of the technical, economic, legal and regulatory requirements associated with the exploitation of the Field, the new MOU formalized a renegotiated agreement whereby Asean Energy would earn a 70% interest in PT Sinergi by funding initial service and enhancement work. The renewal period underlying the Agreement will change to a specific term of 5 years for each period, for a total of 20 years, and provision was made to segregate the obligations such that the Company is shielded from any direct or indirect environmental or human related liabilities associated the district-level cooperative’s exploitation activities. In addition, the work commitment schedule would be modified in accordance with an independent third-party technical assessment and resulting recommendations, to be reviewed and mutually agreed upon between the Company and PT Sinergi.

On July 31, 2013 Asean Energy terminated the Chorbane Farmin Agreement between the Company’s wholly-owned subsidiary, Rift Basin International Corp., and Alpine Oil & Gas Pty Ltd. Due to the state of the capital markets, continued instability within the MENA region, and lack of receptivity towards exploration opportunities, the Company was unable to complete the mandated TSX-V requirements necessary to gain approval to close the Transaction. The Company requested the return of its refundable US\$100,000 deposit. A Deed of Release was finalized on March 20, 2014, and Alpine Oil & Gas Pty Ltd. returned US\$100,000 to the Company to settle the outstanding issues from the December 21, 2012 Chorbane Farmin Agreement.

On August 12, 2013 the common shares of the Company were delisted from Tier 2 and commenced trading on the NEX Board of the TSX Venture Exchange in accordance with Exchange policy. The trading symbol for the Company was changed from RIF to RIF.H. There was no change in the Company’s name, no change to the Company’s CUSIP number and no consolidation of capital. The Company is progressing to complete a definitive transaction through which to become an oil and gas issuer and thereby re-qualify as a Tier 2 issuer.

On August 13, 2013 the Company announced it is proceeding to acquire and evaluate a substantial volume of legacy seismic, technical and geological data with respect to the Dandangilo & Beji oil field. This appraisal process will proceed with the technical support of its strategic partner to evaluate the economic potential for secondary shallow-oil recovery, as well as the deeper target potential in the basin. As part of a technical support agreement, \$100,000 was advanced to the Company as a direct equity investment, with a further \$100,000 advance to follow upon receipt of certain technical data. Advanced funds formed part of the non-brokered private placement of 6.3 million units at a price of \$0.05 per Unit, for gross proceeds to the Company of \$315,000 which closed October 18, 2013.

In August 2013 the Company entered into an LOI and received US\$50,000 from a Lebanon-based funder towards their advancement of operating capital of up to US\$700,000 to fund technical assessment, equipment acquisition, mobilization, service and enhancement work, and administrative support as required for the first five wells on the Dandangilo & Beji oil field, in compliance with the Company’s obligations under the MOU with PT Sinergi. Under the terms of the LOI, upon commencement of commercial oil production, the funder would be entitled to priority recovery of its initial operating capital advanced, on a 70:30 split of profit basis, until full recovery. Upon achieving full recovery, Asean Energy is entitled to 70% of company profit until it has in turn recovered US\$700,000, in full recognition of its own past costs and the introduction of the opportunity to the funder. Subsequent to the complete satisfaction of these recoupment conditions, the parties would proceed to jointly commercialize the field on a 50:50 basis. On December 31, 2013 the Company elected to terminate any remaining potential for cooperation between the parties, in accordance with the terms of the expired LOI, to seek a more complementary relationship.

On September 17, 2013 the Company acquired 100% of the shares of recently incorporated Asean Energy Holdings Ltd. (then named Petrodyn Holdings S.A.) from a related party at cost. Asean Energy Holdings Ltd. is incorporated under the laws of the Territory of the British Virgin Islands. The subsidiary will facilitate the Company's anticipated overseas oil and gas acquisitions. The Company exchanged its interest in its former wholly owned subsidiary Rift Basin International Corp. in settlement of related outstanding payables. All receivables and payables related to the original subsidiary had been written off during the prior fiscal year following abandonment of the Tunisian operations.

On October 1, 2013 the Company entered into a 36-month operating lease in connection with its Granville Street rented office premises in Vancouver.

On November 26, 2013 the Company announced entering into a shares-for-debt agreement with an arm's length creditor. Pursuant to the agreement the Company settled \$45,718 of debt by issuing the creditor 914,359 common shares at a deemed price of \$0.05 per common share. The Creditor also wrote-off a further \$18,873 of debt owed by the Company to the creditor.

On November 28, 2013 the Company announced that the parties are proceeding with Asean Energy's proposed acquisition of a 70% interest in PT Sinergi Wijaya Kusumah, as contemplated in the MOU announced June 5, 2013, following receipt of field data and a legal opinion supporting the validity and enforceability of the underlying contracts, the related rights over petroleum production, and the proposed ownership structure between the parties.

On February 3, 2014 the Company announced the signing of a LOI and separate MOU (together the "Agreements"), each dated effective January 31, 2014, with Grosco International Sdn. Bhd. ("Grosco"). Grosco is a Malaysian-based company with offices in Kuala Lumpur. Grosco represents the interests of a group of Jordanian and Saudi Arabian investors seeking to supplement their respective investment portfolios with oil and gas assets in Southeast Asia. The Agreements are structured to fund the application of secondary and enhanced oil recovery ("EOR") methods to maximize oil and gas production and profits from Asean Energy's proposed acquisition of its 70% equity interest in PT Sinergi.

On May 20, 2014 the Company announced the signing of binding definitive agreements through its wholly-owned subsidiary to acquire a direct 70% equity interest in PT Sinergi through a Joint Venture Agreement for total consideration of US\$700,000, and to fund and complete workovers of PT Sinergi's initial onshore multi-reservoir oil fields through a Participation Agreement with Grosco International Sdn. Bhd. The Company also granted incentive stock options to certain Grosco consultants to purchase up to two million common shares of the Company at a price of \$0.10 per common share. The stock purchase options are exercisable on or before May 16, 2019 and vest in stages over the course of a year with 25% to vest immediately, and a further 25% of the options to vest in each three-month period thereafter.

On May 23, 2014 the Company announced that it entered into a shares-for-debt agreement with an arm's length creditor to settle approximately \$107,735 of debt by issuing the Creditor 1,024,994 common shares. The shares were issued on June 25, 2014 and are subject to a statutory hold period in accordance with applicable securities legislation which expires on October 24, 2014.

On July 16, 2014 the Company provided an update on its Participation Agreement (the "PA") with Grosco International Sdn. Bhd. The Company and Grosco are also engaged in several priority initiatives to acquire access, rights and interests in additional nearby and adjacent oil and gas fields, as well as progressing negotiations to acquire several advanced CBM project interests in conjunction with a significant third party funding commitment. A permanent representative office is being established in Jakarta. Initial workover wells have now been selected, cash flow models, budgets and work programs detailed, service providers selected, and local on-site management and operating expertise arranged. Well selection has been undertaken by Dr. Didit Hadianto, a former director of PT Pertamina and current professor at Institute Technical Bandung (Indonesia's top technical university). 10 wells have been selected for development in the Dandangilo field depending on results of 3 selected pilot wells. A further 14 wells have been selected in the Ngrayong field totalling 24 wells with more available, subject to data review available from Lemigas.

On July 16, 2014 the Company announced it has become aware of a claim filed with the Supreme Court of British Columbia by Mahmoud Zein and Hassan Farran (the "Claimants"), naming the Company as a defendant. The Claim is for breach of contract, loss of opportunity, unjust enrichment and negligent misrepresentation. The Claimants are also seeking court costs and interest. The Company was served with the Notice of Civil Claim on July 21, 2014 and subsequently responded and filed a counterclaim. The Company's counterclaim seeks, among other things, an interlocutory and permanent injunction enjoining the Plaintiffs from continuing to defame the Company and general and special damages for defamation and breach of contract. In addition, counsel has been instructed to seek security for costs for our defense of this matter, as the Plaintiffs

reside outside of this jurisdiction and have no substantial connection to British Columbia. It is Management's position that the Claim has absolutely no merit and continues the pattern of behavior and self-serving efforts on the part of the Claimants which led to the Company terminating the LOI with the Claimants, in accordance with its terms.

On July 24, 2014 the Company announced that it has entered into a definitive farmin and participation agreement with the working interest owner of an oil project that provides the Company with the right to earn an undivided 50% working interest in a producing heavy oil project located in Saskatchewan. The project is supported by a resource report prepared in accordance with National Instrument 51-101 and consists of eleven heavy oil wells plus one revenue-generating waste water disposal well. The wells present an opportunity to maximize production and profits through the application of new and enhanced oil recovery technologies, and are complimentary to the Company's shallow well redevelopment activities in Indonesia. The Company can earn an undivided 50% working interest in the Project if the parties agree to a work program on or before February 1, 2015, and the Company commences and completes a reactivation program with the objective of increasing production of certain wells and/or reactivation of existing wells.

On August 19, 2014 the Company announced that the Canadian Securities Exchange (the "CSE") approved the listing of the Company's common shares on the CSE. The Company requested and obtained approval to delist its common shares from the TSX Venture Exchange at the close of trading on Friday, August 22, 2014 and arranged to commence trading on the CSE at market open on Monday, August 25, 2014. The Company also announced that, immediately prior to market open on the CSE listing date, it will effect a name change to "Asean Energy Corp." and the trading symbol would change to "ASA".

On August 29, 2014 the Company announced the signing of a Letter of Intent (the "LOI") with Global Oil 57 Pte Ltd. (Singapore) for the proposed financing and development of upstream and downstream oil and gas projects in Southeast Asia. The LOI proposed a mechanism whereby the Company would be the beneficiary of a 5-year stream of revenue and gross profit from a significant crude oil supply contract, to be provided by and managed by Global Oil 57. The LOI also outlined that the parties jointly manage selected oil and gas assets to be developed in Indonesia, Global Oil 57 assists the Company in raising capital to jointly develop selected projects, and that the Company enters into a share swap agreement with Global Oil 57. Additional upstream and downstream oil and gas business opportunities will be explored and managed jointly by Global Oil 57 and the Company. The actual mechanism and valuation required to complete the transaction is expected to be finalized through a definitive agreement between Asean Energy and Global Oil 57 in Canada on or before September 30, 2014.

## **RESULTS OF OPERATIONS**

For the period ended July 31, 2014, the Company reported a loss of \$459,683 (\$0.00 per share), compared to \$239,978 (\$0.00 per share) for the comparable period in 2013. The increase in the loss reported is due to an increase in non-cash share-based compensation, an increase in corporate legal and regulatory fees, and office rent, driven by management's efforts to become an oil and gas issuer.

## **SELECTED FINANCIAL INFORMATION**

All financial information in this MD&A has been prepared in accordance with IFRS.

The following financial data is derived from the Company's annual audited consolidated financial statements for the three month periods ended July 31, 2014, 2013 and 2012:

	2014	2013	2012
	\$	\$	\$
General and administrative expenses	294,359	170,817	129,202
Project development expenses	165,252	67,091	-
Loss and comprehensive loss	(459,683)	(239,978)	(96,541)
Basic loss per common share	(0.00)	(0.00)	(0.00)
Diluted loss per common share	(0.00)	(0.00)	(0.00)
Working capital (deficiency)	(3,787)	(90,177)	(83,129)
Total assets	98,858	223,942	317,229
Total liabilities	96,879	314,119	400,358

All of the Company's projects are at the exploration stage and, to date; the Company has not generated any revenues.

At July 31, 2014, the Company had not yet achieved profitable operations and has accumulated losses of \$5,440,072 (April 30, 2014-\$4,980,389) since inception.

### **SUMMARY OF QUARTERLY REPORTS**

Results for the four quarters ending July 31, 2014, with comparatives for the four quarters ending July 31, 2013; all prepared using accounting principles consistent with IFRS:

	Three Months Ended			
	July 31, 2014	April 30, 2014	January 31, 2014	October 31, 2013
	\$	\$	\$	\$
Interest income	-	-	-	-
Net loss	(459,683)	(223,555)	(856,768)	(265,921)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)

	Three Months Ended			
	July 31, 2013	April 30, 2013	January 31, 2013	October 31, 2012
	\$	\$	\$	\$
Interest income	-	-	1,008	327
Net loss	(239,978)	(606,118)	(588,644)	(415,464)
Basic and diluted loss per share	(0.00)	(0.02)	(0.01)	(0.01)

Quarterly results will vary in accordance with the Company's due diligence, acquisition, exploration and financing activities. Variances quarter over quarter can be explained as follows:

There was a small decrease in general and administrative expenses to \$294,359 in the quarter ended July 31, 2014 from \$297,006 in the quarter ended April 30, 2014. A significant portion consists of non-cash share-based compensation, offset by some negotiated write downs of accounts payable, as follows:

- In the quarters ended October 31, 2012, January 31, 2014 and July 31, 2014 stock options were granted to various parties. These grants resulted in share-based compensation expenses of \$9,060 in the quarter ended October 31, 2013, \$157,975 in the quarter ended January 31, 2014, \$95,102 in the quarter ended April 30, 2014 and \$102,878 in the quarter ended July 31, 2014, for a total of \$365,015 for the year.
- In the quarters ended January 31, 2014 and April 30, 2014, there were write downs of accounts payable of \$20,448, and \$50,558 respectively.

### **General and Administrative expenses**

The operating and administrative expenses for the period ended July 31, 2014 totaled \$294,359 (July 31, 2013: \$170,817), including share-based compensation issued during the year, valued at \$102,878 (July 31, 2013: \$26,736) calculated using the Black Scholes option pricing model. Comparatively, the major expenses for the period ended July 31, 2014 were management fees of \$97,500 (July 31, 2013 - \$97,667), consulting fees of \$15,000 (July 31, 2013 - \$2,000), professional fees of \$20,518 (July 31, 2013 - \$3,544), insurance expense of \$3,040 (July 31, 2013 \$2,740), office expenses of \$20,518 (July 31, 2013 - \$14,688), transfer agent and filing fees of \$4,803 (July 31, 2013 - \$4,344), telephone of \$9,439 (July 31, 2013 - \$7,455), and travel and related costs of \$9,814 (July 31, 2013 - \$8,336).

The table below details the changes in major expenditures for the three months ended July 31, 2014 as compared to the corresponding period ended July 31, 2013:



<b>Expenses</b>	<b>Increase in Expenses</b>	<b>Explanation for Change</b>
Advertising and promotion	Increase of \$7,555	Increase due to increase in level of marketing of the Company to the investor and oil and gas communities.
Consulting fees	Increase of \$13,000	Increase due to the increased activities of the Company requiring temporary manpower.
Management fees	No change	No change in management's compensation and directors' fees. Effective June 1, 2012, management fees are paid to companies controlled by officers and directors of the company under Executive Service Agreements. Effective June 1, 2013 following the annual review and despite significant workloads and hours dedicated to corporate development, compensation was left unchanged from the prior year.
Office, rent and miscellaneous	Increase of \$6,079	Increase due to increase in office expenses, supplies and rent of downtown office space.
Professional fees	Increase of \$16,974	Increase due to increase in acquisition-related activity and legal costs.
Share-based compensation	Increase of \$76,142	Increase due to increase in granting of stock options to incentivize consultants.
Telephone	Increase of \$1,984	Increase due to increase in overseas travel.
Travel and business development	Increase of \$1,478	Increased levels of local travel as a result of refocus of corporate direction towards Indonesia.

#### **Overseas project development**

Project development covers the expenses of wholly-owned subsidiary Asean Energy Holdings Ltd. (formerly Petrodyn Holding S.A.), business development, project investigation and acquisition costs and expenses during the period totaling \$165,252 (July 31, 2013 – \$67,091) which represents direct project-acquisition-related expenses incurred primarily in Indonesia. Included are directly-related management fees, bonuses and per diem fees of \$22,800 (July 31, 2013-\$Nil), outside professional (legal) fees totaling \$6,483 (July 31, 2013-\$27,654), project investigation costs of \$76,622 (July 31, 2013-\$39,437) which consists of travel and project acquisition expenses, and outside consulting fees of \$59,347 (July 31, 2013-\$Nil).

#### **Write down of accounts payable**

The Company's accounts payable were written down (a recovery of prior period accrued expenses) by \$31,826 (July 31, 2013 – \$Nil) as part of a negotiated shares for debt settlement.

The Company's primary source of funding is through the issuance of share capital. When the capital markets are depressed, the Company's activity level normally declines accordingly. As capital markets strengthen and the Company is able to secure equity financing with favorable terms, the Company's activity levels and the size and scope of acquisitions and planned activities will typically increase.

#### **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

The Company has no known mineral resources or reserves and is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances its acquisition, due diligence and exploration activities by raising capital from equity markets from time to time.

As at July 31, 2014, the Company's liquidity and capital resources are as follows:

	July 31, 2014	April 30, 2014
	\$	\$
Cash and cash equivalents	36,057	272,644
Receivables	19,506	108,475
Due from related parties	16,461	25,783
Prepaid expenses	21,068	47,000
Total current assets	93,092	453,902
Payables and accrued liabilities	96,879	181,593
Working capital	(3,787)	272,309

As at July 31, 2014, the Company had a cash and cash equivalents position of \$36,057 (April 30, 2014 - \$272,644) derived from the net proceeds of private placements. As at July 31, 2014, the Company had a working capital deficiency of \$3,787 (April 30, 2014 - \$272,309).

On August 29, 2014 the Company closed a private placement of 1,293,333 units at a price of \$0.06 per unit for gross proceeds of \$77,600.

The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with current cash on hand, proceeds from the exercise of warrants and stock options, and further private placements. There is no assurance that the Company will be successful in raising additional capital on commercially reasonable terms or at all. See "Risks and Uncertainties".

#### **OFF-BALANCE SHEET AGREEMENTS**

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

#### **COMMITMENTS**

In July 2012, the Company signed two separate consulting agreements with officers and directors of the Company to provide management consulting and exploration services to the Company for an indefinite term effective July 1, 2012. See "Related Party Transactions" below.

- a) In July 2013, the board of directors (the "Board") approved certain increases to these consulting agreements such that the total combined payments are currently \$30,000 per month.
- b) On October 1, 2013, the Company entered into a commercial lease agreement for an office space in Vancouver for a term of 36 months expiring September 30, 2016, incurring monthly rent payments of \$3,459. A security deposit of \$3,225 was paid and is included in prepaid expenses:

	<b>\$</b>
Payable no later than one year	41,507
Payable later than one year and no later than five years	48,426
Payable more than five years	-
Total	89,933

**TRANSACTIONS WITH RELATED PARTIES**

During the period ended July 31, 2014 the Company engaged in the following transactions with related parties, not disclosed elsewhere in this MD&A:

- i. Incurred management fees and benefits of \$48,750 (July 31, 2013 - \$43,333) and a travel per diem allowance of \$22,800 (July 31, 2013 - \$Nil) to a company controlled by the family of Wayne Koshman, a director and Chief Executive Officer of the Company. As at July 31, 2014, an advance of \$16,308 (July 31, 2013 - \$14,278), was included in due from related parties.
- ii. Incurred management fees and benefits of \$48,750 (July 31, 2013 - \$43,333) to a company controlled by Robert van Santen, a director, Chief Financial Officer and Secretary of the Company, and reimbursed rent expense of \$3,000 (July 31, 2013 - \$3,000) to a company controlled by a family member. As at July 31, 2014, an advance of \$153 was included in due from related parties, (July 31, 2013 - \$19,501 was owing to Mr. van Santen’s company).

Summary of key management personnel compensation as follows:

	<b>For the period ended July 31,</b>	
	<b>2014</b>	<b>2013</b>
Consulting, management and directors’ fees	\$ 97,500	\$ 97,667
Overseas management, consulting and bonuses	\$22,800	\$ Nil

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors (executive and non-executive) of the Company.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management’s application of accounting policies. Critical accounting estimates are those that affect the Financial Statements materially and involve a significant level of judgment by management.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based compensation, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity. Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

#### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expect timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

#### **NEW ACCOUNTING STANDARDS NOT YET ADOPTED**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended July 31, 2014 and have not been applied in preparing these financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending April 30, 2015 or later:

IFRS 9 – Financial Instruments, as issued in November 2009 and revised in October 2010 is required to be adopted by 2013, subject to confirmation by the International Accounting Standards Board. The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 and divides all financial assets that are currently in the scope of IAS 39 into two classifications; amortized cost and those measured at fair value.

IAS 16 – Property, Plant and Equipment: The amendment outlines the accounting treatment for most types of property, plant and equipment is initially measured at its cost, subsequently measured either using a cost of revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. The amendment is effective for annual periods beginning on or after January 1, 2016. The Company does not expect any effect on the Company's financial statements.

#### **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

The fair values of the Company's accounts receivable, accounts payable and accrued liabilities and loans payable approximate their carry amounts, due to their short-term nature. Cash and cash equivalents are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

##### **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its contractual obligations. The Company believes it has no significant credit risk. The Company's cash and cash equivalents are held at large Canadian financial institutions in interest bearing accounts. Accounts receivable consist of GST/HST receivable obligations due from the government of Canada.

##### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at July 31, 2014 the Company had cash and cash equivalents of \$36,057 (July 31, 2013 - \$13,460) to settle

current liabilities of \$96,879 (July 31, 2013 - \$314,119). To maintain liquidity, at balance sheet date the Company was engaged in a non-brokered private placement financing of 1,293,333 units for gross proceeds of \$77,600 which was closed on August 29, 2014. The Company is proceeding to advance its oil and gas opportunities located in East Java, Indonesia with the support of arms-length funding partners. Current market conditions continue to make the present environment for raising additional equity financing difficult and there can be no assurance ongoing efforts will be successful. All of the Company's financial liabilities are subject to normal trade terms.

### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### **i. Interest rate risk**

The Company has cash balances held with financial institutions. The Company believes it has no significant interest rate risk.

#### **ii. Foreign currency risk**

The Company does not have any significant balances denominated in a foreign currency and believes it has no significant foreign currency risk.

#### **iii. Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

## **CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity (deficiency).

The Company has historically relied on the equity markets to fund its activities. Current financial markets continue to be difficult and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new opportunities and seek to acquire an interest in oil and gas assets if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management.

## **SUBSEQUENT EVENTS**

### **Name change and listing on the Canadian Securities Exchange**

On August 19, 2014 the Company announced that the Canadian Securities Exchange (the "CSE") approved the listing of the Company's common shares on the CSE. The Company requested and obtained approval to delist its common shares from the TSX Venture Exchange at the close of trading on Friday, August 22, 2014 and arranged to commence trading on the CSE at market open on Monday, August 25, 2014. The Company also announced that, immediately prior to market open on the CSE listing date, it will effect a name change to "Asean Energy Corp." and the trading symbol would change to "ASA".

### **Proposed financing and development arrangement**

On August 29, 2014 the Company announced the signing of a Letter of Intent (the "LOI") with Global Oil 57 Pte Ltd. (Singapore) for the proposed financing and development of upstream and downstream oil and gas projects in Southeast Asia. The LOI proposed a mechanism whereby the Company would be the beneficiary of a 5-year stream of revenue and gross profit from a significant crude oil supply contract, to be provided by and managed by Global Oil 57. The LOI also outlined

that the parties jointly manage selected oil and gas assets to be developed in Indonesia, Global Oil 57 assists the Company in raising capital to jointly develop selected projects, and that the Company enters into a share swap agreement with Global Oil 57. Additional upstream and downstream oil and gas business opportunities will be explored and managed jointly by Global Oil 57 and the Company. The actual mechanism and valuation required to complete the transaction is expected to be finalized through a definitive agreement between Asean Energy and Global Oil 57 in Canada on or before September 30, 2014.

## **RISKS AND UNCERTAINTIES**

### **Early Stage – Need for Additional Funds**

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations. The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable, especially in today's volatile and uncertain financial markets. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

### **Exploration, Development and Operating Hazards and Risks**

In the normal course of business the Company is exposed to a variety of risks and uncertainties. In addition to the risks associated with liquidity and capital resources, critical accounting estimates, financial instruments, credit risk and market risk described in this MD&A, the Company is exposed to various operational, technical, financial and regulatory risks and uncertainties, many of which are beyond its control and may significantly affect future results. Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, the ability to attract and retain employees and contractors on a cost-effective basis, commodity and marketing risk and seasonality.

The Company is exposed to considerable risks and uncertainties including, but not limited to;

- finding oil and natural gas reserves on an economical basis;
- uncertainties related to estimating the Company's reserves;
- financial risks including access to debt or equity markets which the Company is dependent upon in order to meet obligation and liabilities as they fall due;
- technical problems which could lead to unsuccessful wells, well blowouts and environmental damage;
- obtaining timely regulatory approvals;
- third party related operational risks including the ability to obtain access to wells, access to third party gathering and processing facilities, access to pipeline, railway and other transportation infrastructure;
- fluctuations in commodity prices;
- adverse factors including climate, geographical and weather conditions and labour disputes;
- timing of future debt and other obligations;
- regulatory legislation and policies, including the fulfillment of contractual minimum work programs, the compliance with which may require significant expenditures and non-compliance with which may result in fines, penalties, production restrictions, suspensions or revocations of contracts;
- changes to taxation policies, laws and interpretations thereof; and
- obtaining comprehensive and appropriate insurance coverage at reasonable rates;

### **Foreign Country and Political Risk**

The Company is actively pursuing oil and gas interests located in Southeast Asia. The Company is subject to certain risks, including currency fluctuations and possible political or economic instability in the region, which may result in the impairment or loss of any rights to oil and gas concessions. Exploration and development activities may be affected in varying degrees by political instability and government regulations relating to the oil and gas industry. Any changes in regulations or shifts in political attitudes may also adversely affect the Company's business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

To mitigate such risk, the Company funds its foreign operations on an as-needed basis. The Company does not presently maintain political risk insurance for its foreign exploration projects.

#### **Title Risks**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain rights and interests, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of certain concessions. The Company has investigated title to all of its prospective interests and, to the best of its knowledge, title to all prospective working and economic interests are in good standing.

#### **Environmental Regulations, Permits and Licenses**

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health and safety, waste disposal, and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain oil and gas industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in impositions of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a direction of stricter standards, and enforcement, and higher fines and penalties for non-responsibility for companies including its directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability for the Company and its directors, officers and employees. The Company intends to fully comply with all environmental regulations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in oil and gas operations may be required to compensate those suffering loss or damage by reason of development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of oil and gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties, or requirement abandonment, or delays in development of new oil and gas properties.

#### **Competition and Agreements with Other Parties**

The oil and gas industry is intensely competitive in all its phases. The Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

#### **Price Volatility of Public Stock**

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange may be affected by such volatility.

#### **Economic Conditions**

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

### **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

### **Conflicts of Interest**

The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act, British Columbia ("Corporations Act") in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

### **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning Asean Energy's general and administrative expenses and exploration and evaluation costs is provided in the Company's condensed Consolidated Interim statement of comprehensive loss and note disclosures contained in its condensed Consolidated Interim financial statements for the period ended July 31, 2014. These statements are available on Asean Energy's website at [www.aseanenergycorp.com](http://www.aseanenergycorp.com) or on its SEDAR page site accessed through [www.sedar.com](http://www.sedar.com).

### **Dividends**

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for oil and gas exploration and development. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant

### **Management's Responsibility for Financial Statements**

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Nature of the Securities**

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by



persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

### **Proposed Transactions**

There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of certain properties.

### **Approval**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### **Forward Looking Information**

This MD&A together with the Company's financial statements for the period ended July 31, 2014 contain certain statements that may be deemed "forward-looking statements". Forward looking statements in this document are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "continues", "intends", "estimates", "projects", "potential", and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: fluctuating commodity prices, unavailability of financing, changes in government regulations and administrations, general economic conditions, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

### **Additional Information**

Additional information related to Asean Energy Corp. (the "Company" or "Asean Energy") is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCING REPORTING**

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## **CONTINGENCY**

On July 16, 2014 the Company announced it has become aware of a claim filed with the Supreme Court of British Columbia by Mahmoud Zein and Hassan Farran (the "Claimants"), naming the Company as a defendant. The Claim is for breach of contract, loss of opportunity, unjust enrichment and negligent misrepresentation. The Claimants are also seeking court costs and interest. The Company was served with the Notice of Civil Claim on July 21, 2014. The Company believes that claims

are without merit and has filed a response and counterclaim on August 18, 2014. The Company's counterclaim seeks, among other things, an interlocutory and permanent injunction enjoining the Plaintiffs from continuing to defame the Company and general and special damages for defamation and breach of contract. In addition, counsel has been instructed to seek security for costs for our defense of this matter, as the Plaintiffs reside outside of this jurisdiction and have no substantial connection to British Columbia. The Company has accrued US\$50,000 in accounts payable and accrued liabilities related to the claim, but has not accrued for interest or damages.

### **OUTSTANDING SHARES, OPTION, AND WARRANTS**

The Company has one class of common shares. Below are a summary of the common shares issued and outstanding as at July 31, 2014 and the date of this report:

	As at July 31, 2014	As at September 23, 2014
Common shares	79,097,716	80,391,049
Stock options	7,700,000	8,000,000
Warrants	32,630,081	13,846,747

#### **Stock options**

The Company has issued incentive options to certain directors, employees, officers, and consultants of the Company. As of the date of this report the Company has 8,000,000 options outstanding exercisable at \$0.10.

Options outstanding	Options exercisable	Exercise price \$	Expiry date
1,700,000	1,700,000	0.10	September 26, 2017
4,000,000	4,000,000	0.10	November 28, 2018
2,000,000	1,000,000	0.10	May 16, 2019
300,000	75,000	0.10	September 2, 2019

#### **Warrants**

The Company has issued warrants as part of its non-brokered private placements. As of the date of this report the Company has 13,846,747 warrants outstanding exercisable at \$0.20.

Warrants issue date	Number of warrants outstanding	Exercise price \$	Expiry date
October 18, 2013	3,150,000	0.20	October 18, 2014
February 18, 2014	5,000,000	0.20	February 18, 2015
May 7, 2014	5,050,081	0.20	May 7, 2015
August 29, 2014	646,666	0.20	August 29, 2015

### **DIRECTORS AND OFFICERS**

Wayne Koshman - *Chief Executive Officer and Director*

Robert van Santen - *Chief Financial Officer, Corporate Secretary and Director*

Christopher Cooper - *Director*

### **OTHER REQUIREMENTS**

Additional disclosure of the Company's technical reports, material change reports, news release and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

On Behalf of the Board,

**ASEAN ENERGY CORP.**

*“Wayne Koshman”*

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Wayne Koshman  
Chief Executive Officer

*“Robert van Santen”*

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Robert van Santen  
Chief Financial Officer