



Management's Discussion & Analysis

For the three months ended March 31, 2022

MARCH 31, 2022

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The following management discussion and analysis ("MD&A") of the financial condition and results of operations of Kaisen Energy Corp. ("Kaisen" or the "Company") is dated June 9, 2022 and should be read in conjunction with the accompanying unaudited financial statements and related notes for the three months ended March 31, 2022 with comparisons to the year ended December 31, 2021. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Unless otherwise stated, reporting and the measurement currency amounts stated herein are in Canadian dollars ("C\$ or "CDN\$"). The Company may also reference the United States dollars ("US\$"). In this MD&A, production and reserves information may be presented on a "barrel of oil equivalent" or "boe" basis with six thousand cubic feet ("mcf") of natural gas being equivalent to one barrel ("bbl") of crude oil or natural gas liquids. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

In accordance with Canadian industry practice, production volumes, reserve volumes and revenues are reported on a Company interest basis (working interest plus royalty interest), before deduction of Crown and other royalties, unless otherwise indicated. The Company's results of operations are dependent on production volumes of heavy crude oil, natural gas and natural gas liquids and the prices received for this production. Prices for these commodities have shown significant volatility during recent years and are determined by supply and demand factors, including weather, general economic conditions and changes in the Canadian/United States ("US") currency exchange rate.

About Kaisen Energy Corp.

Kaisen is a Calgary based energy company primarily focused on heavy oil development and production in Saskatchewan and was incorporated in Alberta Canada on November 6, 2012. The Company's principal place of business is located at 2000, 715 5th Avenue S.W, Calgary, Alberta, Canada, T2P 2X6.

FIRST QUARTER HIGHLIGHTS

- The Company executed the Plan of Arrangement and Compromise (“The Plan”) on March 16 and reduced debts by \$16.7 million with a combination of discounted cash settlements and equity conversions.
- Production was 384 boe/d, up from 104 boe/d in the prior year comparative quarter and comparable to the preceding quarter. Production will continue to be restored in several areas as cash flow allows.
- Exit rates in March were 385 boe/d.
- Realized \$3,125,886 in petroleum and natural gas sales (\$90.53/boe), a \$2,629,619 increase from the prior year comparative quarter as both prices and production have increased.
- Recorded a funds flow from operations of \$7,065,218 compared to a loss of \$420,802 in the same quarter of 2021. The funds flow from operations was largely affected by a \$6,212,139 gain on the settlement of debts associated with The Plan.

FINANCIAL AND OPERATING RESULTS SUMMARY

	Three months ended	
	2022	March 31, 2021
Operating		
Average daily production (boe/d)	384	104
WCS heavy oil benchmark price (C\$/bbl)	101.03	57.43
Operating netback ⁽¹⁾ (\$/boe)		
Realized sales price	90.53	52.94
Royalties	(15.31)	(9.64)
Saskatchewan resource tax	(1.04)	(0.53)
Operating expenses	(34.10)	(57.46)
Transportation expenses	(2.44)	(2.23)
Operating netback	37.64	(16.92)
Realized loss on risk management contracts	-	-
Operating netback after hedging	37.64	(16.92)
Financial (\$'s except for share amounts)		
Petroleum and natural gas sales	3,125,886	496,267
Funds flow from operations (loss) ⁽¹⁾	7,065,218	(420,802)
Per share – basic and diluted	0.05	(0.01)
Net income (loss)	6,675,501	(596,278)
Per share – basic and diluted	0.05	(0.01)
Expenditures on oil and gas properties	45,281	46,296
Net debt ⁽¹⁾ – end of period		
Working capital ⁽¹⁾⁽²⁾	(749,330)	5,099,908
Promissory notes	-	1,025,000
Government loan	-	40,000
Term loan	-	1,850,000
	(749,330)	8,014,908
Issued convertible debentures – end of period	-	6,577
Weighted average shares outstanding		
Basic	128,554,999	45,420,029
Diluted	128,554,999	45,420,029
Outstanding shares – end of period	490,729,851	45,420,029

⁽¹⁾ Refer to “Non-GAAP Measures”

⁽²⁾ Working capital is defined as current assets net of current liabilities excluding risk management contracts

First Quarter Operating Results

During the first quarter of 2022, production was largely flat at an average of 384 boe per day, a 269% increase over the same quarter in 2021. Well reactivations are anticipated to recommence in the second quarter of 2022 as cash flow permits.

First Quarter Financial Results

The Company recorded a positive operating netback of \$1,299,516, or \$37.64/boe in the first quarter 2022 compared to a negative operating netback of \$158,577, or \$(16.92)/boe recorded in the first quarter of 2021. This variance is largely attributed to the restoration of production and the recovery of commodity prices realized during the past year following the collapse of both oil demand and prices in 2020. Royalties were \$5.67/boe higher than the prior year comparative quarter as improved commodity pricing results in a higher sliding scale royalty rate on production. Operating and transportation expenses were a combined \$702,222 higher than the first quarter of 2021 due to increased production. On a per boe basis, operating and transportation expenses combined were \$36.54/boe compared to \$59.69/boe in the first quarter of the prior year. The decrease is largely attributable to a lower per boe burden of fixed costs per unit of production.

During the three months ended March 31, 2022, the Company recorded a funds flow from operations of \$7,065,218 versus a loss of \$420,802 recorded in the prior year comparative period. The improvement in funds flow from operations was largely due to the one-time gain in the settlement of various debts as part of The Plan. The Company did not incur any realized gains or losses on risk management contracts in either period. The Company recorded net earnings of \$6,675,501 in the first quarter of 2022 compared to net loss of \$596,278 in the first quarter of 2021.

The Company exited the quarter with a working capital balance of \$749,330 compared to a working capital deficit of \$5,099,908 and net debt totaling \$8,014,908 in the first quarter of 2021.

Economic Environment

Global oil pricing has strengthened considerably in recent months with the average annual WCS oil price averaging \$101.03/bbl during the first quarter, the highest quarterly average price since 2008.

With the improved economic outlook and stability on current and forecast oil prices, the Company continues to reactivate oil wells as cash flow allows. Management continues to monitor the economic environment and cash resources and will continue to adapt its business operations in a manner that best preserves shareholder value.

2022 FIRST QUARTER FINANCIAL AND OPERATING RESULTS

Oil and Gas Production Volumes

	Three months ended March 31,	
	2022	2021
Sales volumes		
Crude oil (bbls/d)	362	102
Natural gas liquids ("NGL") (bbls/d)	3	0
Natural gas (Mcf/d)	114	12
Total average daily production (boe/d)	384	104
Production by area (boe/d)		
Lone Rock, Saskatchewan	23	6
Edam, Saskatchewan	49	-
Lloydminster, Saskatchewan	132	27
Coleville, Saskatchewan	78	43
Other	102	28
Total average daily production (boe/d)	384	104

Kaisen's production in the first quarter of 2022 averaged 384 boe per day, representing a 269% increase from the prior year comparative quarter. In April 2020, in response to falling commodity prices, the Company shut-in nearly all of its wells and did not begin to restore production until early 2021. With improving commodity prices, the Company has been re-activating wells as cash flow permits.

Oil and Gas Realized Revenues and Pricing

	Three months ended March 31,	
	2022	2021
Petroleum and natural gas revenues (\$)		
Crude oil	3,061,591	490,873
Natural gas	43,022	2,783
NGL's	21,273	2,611
	3,125,886	496,267
Realized prices		
Crude oil (\$/bbl)	94.03	53.52
Natural gas (\$/mcf)	4.21	2.56
NGL's (\$/bbl)	80.40	145.06
Corporate average realized price (\$/boe)	90.53	52.94
Average benchmark prices		
WTI oil (US\$/bbl) ⁽¹⁾	94.29	57.84
WCS differential (US\$/bbl) ⁽²⁾	(14.53)	(12.47)
WCS heavy oil (US\$/bbl)	\$79.76	45.37
WCS differential %	(15)	(22)
AECO natural gas (CDN\$/mcf) ⁽³⁾	4.77	3.13
US\$:CDN\$	0.79	0.79
WCS heavy oil (CDN\$/bbl)	101.03	57.43

⁽¹⁾ WTI represents posting price of West Texas Intermediate oil.

⁽²⁾ WCS refers to the average posting price for benchmark WCS heavy oil.

⁽³⁾ AECO refers to the AECO Alberta spot price as published by Sproule.

Realized Pricing

The Company realized oil prices of \$94.03 per barrel during the three months ended March 31, 2022, representing a per barrel increase of 76% and the prior year comparative period. Realized pricing has continued to improve due largely to a global energy supply crunch.

Risk Management Contracts

The Company routinely enters crude oil financial contracts to manage the volatility of commodity prices and may, from time to time, also enter into foreign exchange financial contracts. Kaisen's current policy is to hedge no more than 60% of forecasted net production volumes using a combination of financial instruments including puts, costless collars, swaps, or fixed price contracts to limit exposure to fluctuations in commodity prices. Gains and losses on risk management contracts are composed of both realized gains or losses, representing the portion of risk management contracts that have settled in cash during the period, and unrealized gains or losses that represent the change in the mark-to-market position of those contracts throughout the period.

Kaisen did not have any risk management contracts in place for the three months ended March 31, 2022, resulting in nil losses (2021 - nil). For further information, refer to the "Risk Management" section of this MD&A.

Crown and Freehold Royalties

	Three months ended March 31,	
	2022	2021
Crown	\$205,407	\$4,194
Freehold	323,244	86,153
Royalties	\$528,651	\$90,347
\$ per Boe	15.31	9.64
% of revenue	16.9	18.2

Approximately 80% of Kaisen lands are held under Crown leases with the remaining held under freehold leases. Crown royalty rates range from ~2% to 30% depending upon the type and vintage of wells, commodity type, volume of daily production, and market prices. As a percentage of revenue, royalties were 16.9% the three months ended March 31, 2022 (2021 – 18.2%). On a per boe basis, royalties for the three months ended March 31, 2022 increased as higher commodity have driven sliding scale royalty rates up on various properties.

Saskatchewan Resource Tax

	Three months ended March 31,	
	2022	2021
Saskatchewan resource tax	\$36,000	\$5,000
\$ per Boe	1.04	0.53

Under Saskatchewan provincial legislation, the Company is charged a resource tax based on its Saskatchewan production. The resource tax rate is 1.70% for all oil and gas wells with a finished drilling date on or after October 1, 2002, and for incremental oil related to new or expanded enhanced oil recovery projects or water flood projects having a commencement date on or after October 1, 2002. The resource tax rate for all other oil and gas wells is 3.0%. For the three months ended March 31, 2022, the Company incurred Saskatchewan resource taxes of \$1.04/boe (2021 - \$0.53/boe).

Operating Expenses

	Three months ended March 31,	
	2022	2021
Operating expenses	\$1,177,346	\$538,613
\$ per Boe	34.10	57.46

Operating expenses, excluding crude oil transportation costs, are driven by both fixed and variable costs. Kaisen's primary fixed cost drivers include contract operator wages, property taxes, freehold mineral rentals, and surface rentals, while primary variable cost drivers include emulsion treating, produced wastewater and sand trucking and disposal, utilities, heating fuel, and routine maintenance. Primary non-routine expenses include minor and major workovers. Kaisen continually works closely with suppliers and service providers to seek out cost reductions, increased operating efficiencies, and decreased labour costs.

Operating costs averaged \$34.10 per boe during the first quarter of 2022, a 41% decrease from the \$57.46 per boe recorded in the first quarter of 2021. The decreases were primarily attributed to the effect of increased production over fixed costs such as lease rentals and property taxes. Fixed cost burdens on a per boe basis decreased to \$22.78/boe during the first quarter of 2022 from \$49.24/boe during the same quarter in 2021.

Transportation Expenses

	Three months ended	
	2022	March 31, 2021
Transportation expenses	\$84,373	\$20,884
\$ per boe	2.44	2.23

Transportation expenses relate specifically to the cost of trucking produced emulsion to the sales point where it is then cleaned and blended for market. Costs related to water and sand transportation are included within operating costs. The majority of the Company's crude oil production is trucked to sales facilities near Lloydminster, Edam, and Coleville, Saskatchewan. Bottlenecking of trucks at sales facilities and road restrictions may impact the cost of transportation in any given period; however, the Company's transportation expense has typically been in the \$2.00 to \$3.00 per boe range since inception. During the three months ended March 31, 2022, the Company recorded transportation expenses of \$2.44 (2021 – \$2.23).

Operating Netback

The components of operating netback for the three months ended March 31, 2022 and 2021 are below.

(\$ per boe)	Three months ended	
	2022	March 31, 2021
Realized sales price ⁽¹⁾	90.53	52.94
Royalties	(15.31)	(9.64)
Saskatchewan surcharge tax	(1.04)	(0.53)
Operating expenses	(34.10)	(57.46)
Transportation expenses	(2.44)	(2.23)
Operating netback⁽²⁾	37.64	(16.92)
Realized loss on risk management contracts	-	-
Operating netback⁽²⁾ (after hedging)	37.64	(16.92)

⁽¹⁾ Excludes other income

⁽²⁾ Refer to "Non-GAAP Measures"

General and Administrative ("G&A") Expenses

	Three months ended	
	2022	March 31, 2021
Gross G&A expenses	\$303,103	\$289,632
Capitalized G&A expenses	(42,000)	(42,000)
G&A before restructuring expenses	\$261,103	\$247,632
\$ per boe	7.56	26.42
Restructuring expenses	\$194,230	\$ -

G&A expenses are primarily fixed by nature and therefore fluctuate on a per barrel basis with the rate of production. Kaisen capitalizes to property, plant, and equipment a percentage of technical staff salaries and share-based compensation expense for engineering and geological work at a rate that is commensurate with the extent of work required to execute on the Company's capital program.

During the fourth quarter of 2021, the Company entered into creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). During the first quarter, the Company incurred \$194,230 in restructuring and legal fees during the part of the process. The process concluded in March 2022, and G&A expenses are anticipated to return to historical levels now that the process is complete. For the three months ended March 31, 2022, G&A expenses excluding restructuring costs were \$261,103 (2021 – \$247,632). On a per boe basis, G&A expenses were \$7.56 during the first quarter of 2022 (2021 - \$26.42).

Net Finance Expenses

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

Accretion expense relates to the Company's decommissioning obligation for the future abandonment and reclamation of its lands and well sites. The estimated future decommissioning obligation is discounted at a risk-free rate in accordance with the Company's accounting policies and recorded as a liability on the Statement of Financial Position. This liability is increased monthly to account for the passage of time, with the monthly increase recorded as accretion expense. Material changes in accretion expense are typically driven by new well additions (removals) in each period due to the Company's drilling program and acquisitions (divestitures).

Interest expense on term and bank loans and promissory notes relate to debt instruments the Company had in place prior to entering into creditor protection. As part of The Plan, both the bank loans and promissory notes were converted to equity and no interest on either was incurred during the first quarter or will be thereafter.

Share-Based Compensation

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

Depletion and Depreciation

	Three months ended	
	2022	March 31, 2021
Depletion	\$320,000	\$89,000
Depreciation	2,339	2,866
Depletion and depreciation	\$322,339	\$91,866
\$ per boe	9.27	9.49

Depletion expense is a product of depletable assets multiplied by total production divided by estimated proved and probable oil and natural gas reserves at the beginning of each period, while also considering the estimated future development costs necessary to bring those reserves into production. Depreciation expense is recorded based on corporate assets and is calculated on a declining basis.

As at March 31, 2022, \$77.8 million in future development costs (December 31, 2021 – \$77.8 million) less total salvage values of the assets of \$2.6 million (December 31, 2021 – \$2.6 million) were included in the production asset cost bases for depletion calculation purposes. For the three months ended March 31, 2022, per boe depletion expenses decreased by 2%, in comparison to the prior year comparative period.

Impairment of Property, Plant and Equipment

On March 31, 2022, the Company evaluated its property, plant, and equipment for indicators of any potential impairment or related impairment reversals. The assessment factored in reserves, change in commodity prices from year end, the health of the Company, the sector and the general economy, and near-term development plans. While some indicators had favorably changed, much of the realized value in the reserves depends on future capital spending. At present, the means of acquiring capital to develop these reserves has not yet been determined and as such, no impairment adjustments were recorded during the quarter.

PROPERTY, PLANT AND EQUIPMENT (DEVELOPMENT) EXPENDITURES

	Three months ended	
	2022	March 31, 2021
Land, geological and geophysical	\$2,010	\$-
Drilling, completions and optimizations	(2,694)	(1,281)
Equipment and facilities	3,830	5,577
Capitalized G&A	42,000	42,000
Corporate	135	-
Development expenditures	\$45,281	\$46,296

During the three months ended March 31, 2022, the Company made development expenditures of \$45,281 (2021 – \$46,296).

LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2022	December 31, 2021
Net debt	\$(749,330)	\$8,220,928
Shareholders' equity	\$3,121	\$(8,622,701)

Kaisen exited the quarter in a with a working capital surplus of \$749,330. All debts, loans and promissory notes were converted to equity or settled in cash during the quarter as part of the Plan of Arrangement and Compromise.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or jeopardizing the Company's business objective. The Company manages this risk by preparing cash flow forecasts to assess whether additional funds are required. The Company's liquidity is dependent on the Company's expected business growth and changes in its business environment.

Undiscounted cashflows relating to financial liabilities as at March 31, 2022 were as follows:

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

RISK MANAGEMENT

Management of cash flow variability is an integral component of the Company's business strategy. Changing business conditions are monitored regularly and, where material, reviewed with the Board of Directors to establish risk management guidelines used by Management to carry out the Company's strategic risk management program. The risk exposure inherent in the movements of the price of crude oil and fluctuations in CDN\$:US\$ exchange rates are all proactively reviewed by Kaisen and may be managed through the use of derivative contracts as considered appropriate.

The Company has elected not to apply IFRS prescribed "hedge accounting" rules. Accordingly, the fair value of financial derivative contracts is recorded at each period-end. The fair value may change substantially from period to period depending on market conditions. As a result, net earnings may fluctuate considerably based on the period ending commodity forward strip prices compared to the prices in any derivative contracts.

Commodity Price Risk

The Company is exposed to commodity price movements as part of its operations, particularly in relation to prices received for its oil production. Commodity prices for oil are impacted by the world and continental/regional economy and other events that dictate the levels of supply and demand. Consequently, these changes could also affect the value of the Company's properties, the level of spending for exploration and development and the ability to meet obligations as they come due. There were no risk management contracts in place as at March 31, 2022

SUMMARY OF QUARTERLY RESULTS

<i>(\$000's except boe and per boe amounts)</i>	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Petroleum and natural gas sales	3,126	2,432	2,169	1,411	496	337	249	123
Realized gain (loss) on risk mgmt. contracts	-	-	-	-	-	-	-	-
Funds flow from operations (loss) ⁽¹⁾	7,065	(94)	69	(52)	(421)	(325)	(556)	(733)
Net income (loss)	6,676	(490)	(338)	(351)	(596)	(4,546)	(701)	(921)
Expenditures on oil & gas properties	45	42	44	43	46	42	43	42
Net debt ⁽¹⁾	(749)	8,221	8,085	8,109	8,015	7,548	7,181	6,582
Sales Volumes (boe per day)	384	383	367	259	104	96	69	75
Operating Netbacks (\$/boe) ⁽¹⁾								
Realized sales price	90.53	69.03	64.25	59.78	52.94	38.36	39.60	17.99
Royalties	(15.31)	(12.61)	(11.96)	(13.79)	(9.64)	(5.26)	(5.89)	(4.98)
Saskatchewan surcharge tax	(1.04)	(1.05)	(0.87)	(0.85)	(0.53)	-	1.18	(0.29)
Operating expenses	(34.10)	(32.03)	(38.94)	(34.30)	(57.46)	(51.29)	(82.51)	(78.75)
Transportation expenses	(2.44)	(1.81)	(2.42)	(2.61)	(2.23)	(1.64)	(1.86)	(2.65)
Operating netback	37.64	21.53	10.06	8.23	(16.92)	(19.83)	(49.48)	(68.68)
Realized gain/(loss) on risk mgmt. contracts	-	-	-	-	-	-	-	-
Operating netback after hedging	37.64	21.53	10.06	8.23	(16.92)	(19.83)	(49.48)	(68.68)

⁽¹⁾ See "Non-GAAP Measures".

NON-GAAP MEASURES

This MD&A contains terms commonly used in the oil and natural gas industry, including funds flow from operations per share, operating netback and net debt. These terms do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. Shareholders and investors are cautioned that these measures should not be construed as alternatives to cash provided by operating activities, net income, total liabilities, or other measures of financial performance as determined in accordance with GAAP. Management uses these non-GAAP measures for its own performance measurement and to provide stakeholders with measures to compare the Company's operations over time.

Funds Flow from Operations

The Company calculates funds flow from operations (loss) per share by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period.

A reconciliation of funds flow from operations (loss) to cash provided by (used in) operating activities is presented as follows:

	Three months ended	
	2022	March 31, 2021
Cash flow from (used-in) operating activities	\$1,683,451	\$(183,732)
Less change in non-cash working capital	5,381,767	(237,070)
Funds flow from operations (loss)	\$7,065,218	\$(420,802)

Operating Netback

The Company uses operating netback as a key performance indicator of field results. Operating netback is presented on a per barrel of oil equivalent basis and is calculated by deducting royalties, Saskatchewan resource tax, transportation expenses and operating expenses from petroleum and natural gas sales. If applicable the Company also discloses operating netback both prior to realized gains or losses on derivatives and after the impacts of derivatives are included. Realized gains or losses represent the portion of risk management contracts that have settled in cash during the period, disclosing this provides Management and investors with transparent measures that reflect how the Company's risk management program can impact netback metrics. The Company considers operating netback to be a key measure as it demonstrates Kaisen's profitability relative to current commodity prices. This measurement assists Management and investors in evaluating operating results on a per barrel of oil equivalent basis to analyze performance on a historical basis.

The following table calculates operating netback for the periods indicated:

	Three months ended	
	2022	March 31, 2021
Petroleum sales	\$3,125,886	\$496,267
Royalties	(528,651)	(90,347)
Saskatchewan resource tax	(36,000)	(5,000)
Operating expenses	(1,177,346)	(538,613)
Transportation expenses	(84,373)	(20,884)
Operating netback	\$1,299,516	\$(158,577)
Production (boe's)	34,530	9,374
Operating netback (\$/boe)	\$37.64	\$(16.92)

Net Debt and Working Capital

The Company uses net debt, which includes a measure of working capital, to assess its true debt and liquidity position and to manage capital and liquidity risk. Working capital subtracts current liabilities from current assets, excluding any current balances related to debt and risk management contracts. Net debt is calculated as the Company's bank loan plus (less) the working capital deficit (surplus). The following table summarizes net debt for the periods indicated:

	March 31, 2022	December 31, 2021
Current assets	\$(2,400,389)	\$(1,552,304)
Accounts payable and accrued liabilities	1,651,059	6,505,136
Working capital	(749,330)	4,952,832
Promissory notes	-	1,139,435
Term loan	-	2,128,661
Net debt	\$(749,330)	\$8,220,928

BOE CONVERSION

Within this document, petroleum and natural gas volumes are converted to a common unit of measure, referred to as a barrel of oil equivalent ("boe"), using a ratio of 6,000 cubic feet of natural gas to one barrel of oil. Use of the term boe may be misleading, particularly if used in isolation. The conversion ratio is based on an energy equivalent method and does not necessarily represent a value of equivalency at the wellhead.

ADVISORY ON FORWARD LOOKING STATEMENTS

In the interest of providing Kaisen shareholders and potential investors with information regarding the Company, including Management's assessment of Kaisen's future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbor" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to:

- *Future development plans;*
- *Future financing plans and goals;*
- *The ability of the Company to fund capital programs with existing working capital and cash flow from operating activities*
- *The Company continuing as a going concern*
- *The impact of adjustments to drilling and completion techniques; and*
- *General business strategies and objectives*

Such forward-looking information is based on a number of assumptions, including: future commodity prices; royalty rates, taxes and capital, operating, general and administrative and other costs; foreign currency exchange rates and interest rates; general business, economic and market conditions; the ability of the Company to obtain the require capital to finance its exploration, development and other operations and meet its commitments and financial obligations; the ability of Kaisen to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities; the ability of Kaisen to market its oil and natural gas successfully to current and new customers; the ability of Kaisen to obtain drilling success (including in respect of anticipated production volumes, reserve additions and resource recoveries) and operational improvements, efficiencies and results consistent with expectations; the timely receipt of governmental and regulatory approvals; and anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities).

Although Kaisen believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on them as the Company can give no assurance that such assumptions will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Kaisen and described in the forward-looking information. The material risks and uncertainties include, but are not limited to: fluctuations in commodity prices, foreign currency exchange rates and interest rates; estimates and projections relating to future revenue, future production, reserve additions, resource recoveries, royalty rates, taxes and costs and expenses; operational risks in exploring for, developing and producing, oil and natural gas; the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost; potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities; processing and pipeline infrastructure outages, disruptions and constraints; risks and uncertainties involving the geology of oil and gas deposits; uncertainty of reserves and resources estimates; general business, economic and market conditions; changes in, or in the interpretation of, laws, regulations or policies (including environmental laws); the ability to obtain required governmental or regulatory approvals in a timely manner, and to enter into and maintain leases and licenses; the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access; the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination; uncertainties regarding aboriginal claims and in maintaining relationships with local populations and other stakeholders; the outcome of existing and potential lawsuits, regulatory actions, audits and assessments. and other risks and uncertainties described elsewhere in Kaisen's other filings.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Although Kaisen believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and Kaisen does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

ADDITIONAL INFORMATION

For additional information regarding the Company and its business and operations, please contact the Company at Kaisen Energy Ltd. 2000, 715 5th Avenue S.W, Calgary, Alberta, Canada, T2P 2X6 or by e-mailing [Rachelle Bien-Barnard \(info@kaisenenergy.com\)](mailto:info@kaisenenergy.com).

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