PAN ORIENT ENERGY CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pan Orient Energy Corp.

Opinion

We have audited the consolidated financial statements of Pan Orient Energy Corp. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated statements of operations and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is David Yung.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 10, 2020

Pan Orient Energy Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars, unless otherwise noted)

($000s)	**December 31 2019**	December 31 2018
Assets		
Current		
Cash and cash equivalents	**24,767**	31,662
Accounts receivable	**790**	4,043
	25,557	35,705
Deposits	**604**	593
Investment in Joint Venture (note 5)	**34,127**	34,504
Right-of-use assets (note 6)	**122**	-
Property, plant and equipment (note 7)	**395**	433
Exploration and evaluation (note 8)	**85,851**	102,482
Total assets	**146,656**	173,717
Liabilities		
Current		
Accounts payable and accrued liabilities	**3,343**	2,876
Lease liabilities (note 9)	**124**	-
Decommissioning provision (note 10)	**536**	283
	4,003	3,159
Deferred tax liabilities (note 11)	**5,574**	6,699
Decommissioning provision (note 10)	**1,679**	1,895
Total liabilities	**11,256**	11,753
Shareholders' equity		
Share capital (note 12)	**91,131**	91,851
Contributed surplus	**27,923**	26,965
Non-controlling interest (note 16)	**16,985**	16,808
Accumulated other comprehensive income	**2,903**	4,578
Retained earnings (Deficit)	**(3,542)**	21,762
Total shareholders' equity	**135,400**	161,964
Total liabilities and shareholders' equity	**146,656**	173,717

Segmented information (note 18)
Commitments (note 19)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors:

(signed "Richard Alexander")
Director

(signed "Gerald Macey")
Director

Pan Orient Energy Corp.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars, unless otherwise noted)

($000s, except per share amounts)	Year Ended December 31 2019	2018
Other income		
Income from investment in Joint Venture (note 5)	**4,890**	114
Expenses		
Amortization and depreciation (notes 6 & 7)	**152**	41
Recovery of decommissioning expense	**(14)**	-
General and administrative	**2,628**	2,246
Finance income	**(397)**	(494)
Stock-based compensation	**815**	641
Impairment (note 8)	**27,001**	-
Foreign exchange loss (gain)	**957**	(2,049)
	31,142	385
Loss before taxes and non-controlling interest	**(26,252)**	(271)
Taxes (note 11)		
Deferred income tax recovery	**(1,125)**	(125)
Net loss	**(25,127)**	(146)
Other comprehensive income (loss)		
Foreign exchange income (loss) on translation of foreign operations	**(906)**	1,078
Foreign exchange gain on translation of Joint Venture (note 5)	**838**	2,262
Total other comprehensive income (loss)	**(68)**	3,340
Total comprehensive income (loss)	**(25,195)**	3,194
Net income (loss) attributable to:		
Common shareholders	**(25,304)**	(40)
Non-controlling interest (note 16)	**177**	(106)
Net loss	**(25,127)**	(146)
Total comprehensive income (loss) attributable to:		
Common shareholders	**(25,372)**	3,300
Non-controlling interest (note 16)	**177**	(106)
Total comprehensive income (loss)	**(25,195)**	3,194
Net loss per share attributable to common shareholders (note 12)		
Basic and diluted	**$ (0.46)**	$ (0.00)

See accompanying notes to the consolidated financial statements.

Pan Orient Energy Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars, unless otherwise noted)

($000s)	Share Capital	Contributed Surplus	NCI	AOCI	Retained Earnings (Deficit)	Total
Balance as at December 31, 2017	91,851	26,307	16,914	1,238	21,802	158,112
Net loss	-	-	(106)	-	(40)	(146)
Stock-based compensation expense	-	641	-	-	-	641
Capitalized stock-based compensation	-	17	-	-	-	17
Other comprehensive income	-	-	-	3,340	-	3,340
Balance as at December 31, 2018	91,851	26,965	16,808	4,578	21,762	161,964
Balance as at December 31, 2018	91,851	26,965	16,808	4,578	21,762	161,964
Net income	-	-	177	-	(25,304)	(25,127)
Stock-based compensation expense	-	815	-	-	-	815
Options exercised	222	-	-		-	222
Transfer from contributed surplus	153	(153)	-		-	-
Normal course issuer bid	(1,095)	296	-	-	-	(799)
Other comprehensive loss	-	-	-	(68)	-	(68)
AOCI on impaired assets (note 8)	-	-	-	(1,607)	-	(1,607)
Balance as at December 31, 2019	91,131	27,923	16,985	2,903	(3,542)	135,400

See accompanying notes to the consolidated financial statements.

Pan Orient Energy Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise noted)

($000s)	Year Ended December 31 **2019**	2018
Cash Provided From (Used in)		
Operating Activities		
Net loss	**(25,127)**	(146)
Adjustments for non-cash items:		
Deferred income tax recovery	**(1,125)**	(125)
Amortization and depreciation	**152**	41
Stock-based compensation	**815**	641
Accretion	**62**	49
Income from investment in Joint Venture (note 5)	**(4,890)**	(114)
Impairment (note 8)	**27,001**	-
Recovery of decommissioning expense	**(14)**	-
Unrealized foreign exchange loss (gain)	**1,008**	(2,047)
Changes in non-cash working capital	**(436)**	(706)
Cash flow used in operating activities	**(2,554)**	(2,407)
Investing Activities		
Exploration and evaluation	**(12,833)**	(4,256)
Dispositions of exploration and evaluation assets	**-**	133
Dividend from investment in joint venture (note 5)	**6,624**	-
Changes in non-cash working capital	**3,626**	(1,377)
Cash flow used in investing activities	**(2,583)**	(5,500)
Financing Activities		
Issuance of common shares	**222**	-
Normal course issuer bid	**(799)**	-
Finance lease payments	**(130)**	-
Cash flow used in financing activities	**(707)**	-
Change in cash and cash equivalents	**(5,844)**	(7,907)
Effect of foreign exchange on cash and cash equivalents	**(1,051)**	1,907
Cash and cash equivalents, beginning of year	**31,662**	37,662
Cash and cash equivalents, end of year	**24,767**	31,662

See accompanying notes to the consolidated financial statements.

1) CORPORATE INFORMATION

Pan Orient Energy Corp. ("Pan Orient" or the "Company") is an Alberta, Canada corporation with shares listed on the TSX Venture Exchange ("TSX-V"). The records office and principal address is located at 1505, 505 – 3rd Street S.W., Calgary, Alberta, T2P 3E6.

Pan Orient is an oil and natural gas company based in Calgary, Alberta, with properties onshore Indonesia and interests in Pan Orient Energy (Siam) Ltd. which has properties onshore Thailand, and interests in Andora Energy Corporation ("Andora") which has properties in northern Alberta, Canada.

2) BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were approved by the Company's Board of Directors on March 10, 2020.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the dates of the statements of financial position as well as the reported amounts of revenues, expenses, and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the dates of the financial statements. Actual results could differ materially from estimated amounts.

Amounts recorded for depletion and depreciation and amounts used for property, plant and equipment and exploration and evaluation cost impairment calculations are based on a number of factors including estimates of oil and natural gas reserves and future costs required to develop those reserves. To test impairment, costs are allocated into cash generating units ("CGUs") based on their ability to generate largely independent cash flows. The determination of CGUs is subject to judgment. The transfer of exploration and evaluation assets to property, plant and equipment is based on management's judgment of technical feasibility and commercial viability.

Stock-based compensation is subject to the estimation of what the ultimate payout will be using pricing models such as Black-Scholes which is based on significant assumptions such as expected volatility, dividend yield and expected term.

Amounts recorded for decommissioning provision and the related accretion expense requires the use of estimates with respect to the amount and timing of abandonment costs, inflation and interest rates.

The provision for income taxes is based on judgments in applying income tax law and estimates on the applicable tax rates, timing, likelihood and reversal of temporary differences between the accounting and tax bases of assets and liabilities. These estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the accounts of its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. All significant intercompany transactions and balances have been eliminated. Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition. All of the Company's material subsidiaries are wholly owned except for Andora, of which Pan Orient owns 71.8% of the outstanding common shares. The consolidated financial statements include a non-controlling interest representing 28.2% of Andora's assets and liabilities not owned by Pan Orient. Accounting policies are applied consistently throughout all consolidated entities and the reporting dates of the Company and its subsidiaries are coterminous, except as disclosed in note 5.

(b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized or at the fair value of the non-controlling interest. Non-controlling interest is presented within equity and when there is a loss of control, a gain or loss is recognized on the sold and retained interests. Increases or decreases in the Company's ownership interest while retaining control is a capital transaction.

(c) Joint Arrangements

A joint arrangement represents an arrangement where two or more parties hold joint control. Joint control is deemed to exist where decisions regarding relevant activities of the arrangement require the unanimous consent of those parties sharing control.

A joint venture is a joint arrangement in which each venturer holds the rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method of accounting.

A joint operation is a joint arrangement in which each venturer holds the rights to the assets and obligations of the arrangement. Interests in joint operations are accounted for by recognizing the Company's share of the assets, liabilities, revenue and expenses.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with an original maturity date of three months or less.

(e) Exploration and Evaluation ("E&E")

Pre-exploration and pre-licensing costs associated with the investigating, bidding and acquisition of petroleum properties are expensed prior to obtaining a petroleum lease or concession.

Costs incurred prior to establishing commercial viability and technical feasibility, such as land and lease acquisition costs, and geological and geophysical costs, are initially classified as E&E assets. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable based on several factors including the assignment of proven and probable reserves. Upon determination of technical feasibility and commercial viability, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property, plant and equipment.

(f) Property, Plant and Equipment ("PP&E")

Unless initially classified as E&E assets, all costs related to the acquisition, exploration and development of petroleum and natural gas properties are capitalized and measured at cost less accumulated depletion and depreciation and accumulated impairment losses. These costs include land and lease acquisition costs, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, decommissioning costs, and carrying costs.

Petroleum and natural gas assets are accumulated in components, which generally are fields or groups of fields and then aggregated into CGUs. Depletion is provided on costs accumulated using the unit-of production method based on an independent engineering estimate of the Company's share of proved plus probable reserves, before royalties. Included in the depletion base are estimated future costs to be incurred in developing proved and probable reserves. Estimated salvage values are excluded from the depletion base.

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within profit or loss.

Cost incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts, including major inspection, of property, plant and equipment are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. The carrying amount of any replaced or sold component is derecognized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss as incurred.

(g) Impairment of Assets

An impairment test is performed whenever events and circumstances indicate that the carrying value of the asset or CGU may exceed the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. E&E assets are allocated to the CGU or groups of CGUs to which they relate for purposes of impairment testing. If there is indication of an impairment loss, the costs carried on the statement of financial position in excess of the recoverable amount are charged to the statement of operations.

Impairment losses from prior periods are assessed at each reporting date for indications that the impairment loss no longer exists or has decreased. Impairment losses can be reversed if there is a change in the estimates used to determine the recoverable amount. Reversal of impairment losses cannot exceed the carrying value of the asset prior to impairment less any depreciation and depletion that would have been taken if no impairment was recognized.

(h) Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option the Company is reasonably certain to exercise, lease payment in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payment arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognized right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(i) Decommissioning Provision

The Company recognizes a liability related to statutory, contractual or other legal obligations associated with the retirement of assets, when a reasonable estimate of the provision can be determined. A corresponding increase to the carrying amount of the related asset is recorded. The liability is increased as accretion is recognized over time through charges to accretion, which is included in finance costs. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depletion and depreciation of the underlying assets. Revisions to the estimated timing of cash flows, inflation rates, discount rates or to the original estimated undiscounted costs also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

(j) Revenue Recognition

Revenue generated within the joint venture is recognized when the performance obligations are satisfied and revenue can be reliably measured. Revenue is measured at the consideration specified in the contracts and represents amounts receivable for goods or services provided in the normal course of business, net of discounts, customs duties and sales taxes. Oil sales within the joint venture sold in Thailand are under long term floating price contracts. Performance obligations associated with the sale of crude oil are satisfied at the point in the time when the products are delivered and title passes to the customer.

(k) Stock-Based Compensation

The Company accounts for its stock-based compensation using the fair value method of accounting for stock options granted to directors and employees using the Black-Scholes option-pricing model. Stock-based compensation is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Consideration paid upon the exercise of stock options, together with corresponding amounts previously recognized in contributed surplus, is recorded as an increase to share capital. The amount recognized as expense is adjusted for an estimated forfeiture rate for options that will not vest, which is adjusted as actual forfeitures occur, until the shares are fully vested.

(l) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets or liabilities are recorded to reflect the difference between the accounting and tax base of assets and liabilities, and income tax loss carry forwards. Deferred income taxes are measured using tax rates that are expected to apply to the period when the deferred tax asset is realized or deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period. The effect of a change in income tax rate is recognized in income in the period that the change occurs.

Deferred income tax assets are recognized for deductible temporary differences to the extent it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow the assets to be recovered. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

The Company offsets deferred tax assets and deferred tax liabilities relating to the same taxable entity. The Company may also offset deferred tax assets and deferred tax liabilities relating to different taxable entities, where the amounts relate to income taxes levied by the same taxation authority and the entities intend to realize the assets and settle the liabilities simultaneously.

(m) Per Share Amounts

Basic per share information is calculated on the basis of the weighted average number of common shares outstanding during the period. Diluted per share information is calculated using the treasury stock method which assumes that any proceeds received by the Company upon the exercise of in-the-money stock options, plus unamortized stock compensation costs, would be used to buy back common shares at the average market price for the period.

(n) Foreign Currency

The Company's reporting currency is the Canadian dollar and its subsidiaries' functional currencies are the Canadian dollar, the Thai baht and the U.S. dollar.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. When a foreign operation is disposed of, or deemed to be disposed of, the relevant amount in AOCI (in the cumulative translation account) is transferred to profit or loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative translation account.

(o) Financial Instruments

All financial assets, liabilities and financial derivatives are initially recognized in the statement of financial position at fair value and must be classified as one of the following three categories:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair Value through Other Comprehensive Income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value through Profit and Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial assets.

The Company has classified cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities as amortized cost.

(p) Segmented Information

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and returns that are different from those of other segments. The Company has three reportable segments which are comprised of oil and gas exploration, development and production activities within Thailand, Indonesia and Canada.

4) ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

IFRS 16 – Leases

IFRS 16 "Leases" is effective for periods ending on or after January 1, 2019. This standard introduces a single recognition and measurement model for lessees, which requires recognition of lease assets and lease obligations on the statement of financial position. The Company adopted this standard using the modified retrospective approach. Accordingly, comparative information in the Company's financial statements is not restated. The Company selected to not recognize leases whose term ends within 12 months of initial application, as well as not recognize leases which assets are considered to be a low dollar value. Lease payments associated with these leases are recognized as an expense as incurred over the lease term. The Company's Thailand joint venture adopted this standard and the effect on adoption and subsequent measurements are included in the profit or loss from investment in joint venture (note 5).

On adoption, lease liabilities were measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate of 8% on January 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability.

The impacts of the adoption of IFRS 16 as at January 1, 2019 are as follows:

Consolidated statement of financial position adjustments

($000s)	**As reported as at December 31, 2018**	**Effect on adoption**	**Restated balance as at January 1, 2019**
Right-of-use assets	-	233	233
Lease liabilities – current portion	-	(119)	(119)
Lease liabilities – non-current portion	-	(114)	(114)
Total	-	-	-

5) INVESTMENT IN JOINT VENTURE

The Company holds a 50.01% interest in Pan Orient Energy (Siam) Ltd., which is considered a Joint Venture under IFRS and is accounted for using the equity method. Initial recognition of the investment in Joint Venture was recorded at fair value. The carrying amount is subsequently increased or decreased to recognize the Company's share of the profit or loss from the joint venture. Distributions received from the joint venture reduce the carrying amount of the investment whereas funding to the joint venture increase the carrying amount. The Company's profit or loss includes its share of the joint venture's profit or loss and the Company's other comprehensive income includes its share of the joint venture's other comprehensive income or loss. The carrying amount of the Company's Investment in Joint Venture is as follows:

	December 31	
($000s)	**2019**	**2018**
Investment in Joint Venture, beginning of year	34,504	32,185
Change in amounts due from Joint Venture	519	(159)
Net income from Joint Venture, after tax	4,890	114
Dividend paid	(6,624)	-
Foreign currency translation	838	2,364
Investment in Joint Venture, end of year	34,127	34,504

Pan Orient Energy (Siam) Ltd. (1)		
Summarized Financial Information	December 31	
($000s)	**2019**	**2018**
Current assets	25,899	15,562
Non-current assets	69,424	65,497
Current liabilities	(6,140)	(3,645)
Non-current liabilities	(30,713)	(19,492)
Net assets	58,470	57,922
Pan Orient's Investment in Joint Venture		
Pan Orient's 50.01% share of net assets of Pan Orient Energy (Siam) Ltd.	29,238	28,965
Fair value adjustment on initial recognition	8,924	8,924
Amortization of fair value adjustment on initial recognition	(2,761)	(1,592)
Change in amounts due from Joint Venture, since initial recognition	(1,274)	(1,793)
Investment in Joint Venture	34,127	34,504

(1) Represents 100% of net assets of Pan Orient Energy (Siam) Ltd. and the Company has 50.01% equity interest in Pan Orient Energy (Siam) Ltd.

The Company's share of income or loss from the Joint Venture is as follows:

Pan Orient Energy (Siam) Ltd. (1) Summarized Statement of Comprehensive Income ($000s)	Year Ended December 31 **2019**	 **2018**
Oil revenue	57,758	15,452
Royalties	(3,005)	(758)
Interest income	86	73
Total net revenue	54,839	14,767
Production and operating	4,770	2,471
Transportation	1,868	345
Depletion, depreciation and amortization	18,049	7,790
General and administrative	1,931	1,705
Impairment (recovery) of exploration and evaluation assets	(19)	346
Foreign exchange loss (gain)	(133)	2
Total expenses	26,466	12,659
Income before income taxes	28,373	2,108
Current income tax expense	6,549	1
Deferred income tax expense	9,706	888
Net income	12,118	1,219
Other comprehensive income	1,677	4,727
Total comprehensive income	13,795	5,946
Pan Orient's share of income from Joint Venture under equity method, (50.01% net to Pan Orient)		
Pan Orient's share of net income	6,059	610
Amortization of fair value adjustment	(1,169)	(496)
Net income from Joint Venture	4,890	114

(1) Represents 100% of comprehensive income or loss of Pan Orient Energy (Siam) Ltd. and the Company has 50.01% equity interest in Pan Orient Energy (Siam) Ltd.

6) RIGHT-OF-USE ASSETS

($000s)	Office lease	Equipment Rentals	Total
Initial recognition, January 1, 2019	111	122	233
Amortization	(71)	(43)	(114)
Foreign currency translation	1	2	3
At December 31, 2019	41	81	122

7) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at December 31, 2019 is set out below.

($000s)	Indonesia	Canada	Total
Cost			
At December 31, 2018	308	1,353	1,661
At December 31, 2019	308	1,353	1,661
Accumulated depletion, depreciation and amortization			
At December 31, 2018	(308)	(920)	(1,228)
Amortization and depreciation	-	(38)	(38)
At December 31, 2019	(308)	(958)	(1,266)
Net book value			
At December 31, 2018	-	433	433
At December 31, 2019	-	395	395

8) EXPLORATION AND EVALUATION

A reconciliation of the carrying amount of exploration and evaluation ("E&E") assets as at December 31, 2019 is set out below.

($000s)	Indonesia	Canada	Total
At December 31, 2017	12,591	84,504	97,095
Additions	3,359	914	4,273
Dispositions	-	(133)	(133)
Changes in decommissioning costs	(8)	23	15
Foreign currency translation	1,232	-	1,232
At December 31, 2018	17,174	85,308	102,482
Additions	12,228	605	12,833
Impairment	(28,608)	-	(28,608)
Changes in decommissioning costs	91	(62)	29
Foreign currency translation	(885)	-	(885)
At December 31, 2019	-	85,851	85,851

During the year ended December 31, 2019, general and administrative costs totaling $0.6 million (December 31, 2018 – $0.8 million) directly related to exploration and evaluation activities have been capitalized as E&E assets.

As at December 31, 2019 Andora's Sawn Lake steam assisted gravity drainage ("SAGD") demonstration project has not yet proven that it is commercially viable and all related costs and revenues are being capitalized as E&E assets until commercial viability is achieved. Commercial viability is determined based on several factors including the assignment of proven and probable reserves. Upon being determined commercially viable the related E&E assets will be tested for impairment and reclassified to property, plant and equipment where they will be depleted.

Recoverability of the capitalized costs is dependent on successfully completing development of the properties. With respect to the Canadian properties, recoverability is also dependent on determining the technical feasibility of the project. Capitalized costs incurred to date do not necessarily represent present or future values.

Impairment

Indonesia – East Jabung Production Sharing Contract ("PSC")

Pursuant to a June 1, 2015 farmout agreement, the Company transferred a 51% direct working interest and operatorship of the East Jabung PSC. The farminee committed to funding US$10.2 million towards the first and second exploration wells and a contingent commitment to fund the first US$5.1 million towards an appraisal well, if justified. The drilling of the Ayu-1X and Elok-1X exploration wells in 2017 qualified for the two wells under the firm 3 year exploration work program. The original November 21, 2017 expiry date of the East Jabung PSC was extended by the Government of Indonesia to January 20, 2019. On January 11, 2019 the East Jabung PSC joint venture received approval for a four year exploration extension period with an exploration area of 1,245.56 square kilometers, where the joint venture has the option of exiting or continuing the PSC on an annual basis. The Anggun-1X well was drilled unsuccessfully in the fourth quarter of 2019. In January 2020 the PSC joint venture provided notice of the Government of Indonesia of withdrawal from the East Jabung PSC. As a result, the Company recognized the following impairment expense related to the East Jabung PSC in 2019.

The East Jabung PSC utilizes US dollars as its functional and presentation currency. The strengthening of the US dollar compared to the Canadian dollar has resulted in a foreign currency translation gain included in Accumulated Other Comprehensive Income. Given no future exploration plans in East Jabung and the expiry of the East Jabung PSC in January 2020, the Company has reclassified the cumulative amount of exchange differences from Accumulated Other Comprehensive Income to profit or loss through the impairment expense recognized on the East Jabung PSC.

($000s)	**Total**
Exploration and Evaluation assets – impairment of East Jabung PSC	28,608
Accumulated Other Comprehensive Income – foreign currency translation of East Jabung PSC	(1,607)
Impairment expense	27,001

9) LEASE LIABILITIES

($000s)	**Total**
Initial recognition, January 1, 2019	233
Lease payments	(130)
Accretion	20
Foreign currency translation	1
At December 31, 2019	124
Less current portion	(124)
Non-current portion	-

Lease liabilities were measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of 8%.

10) DECOMMISSIONING PROVISION

A reconciliation of the Company's decommissioning provision at December 31, 2019 is set out below.

($000s)	**Indonesia**	**Canada**	**Total**
At December 31, 2017	426	1,649	2,075
Revisions to obligations	(8)	23	15
Accretion	10	39	49
Foreign currency translation	39	-	39
At December 31, 2018	467	1,711	2,178
Obligation incurred	105	-	105
Revisions to obligations	(28)	(62)	(90)
Accretion	12	30	42
Foreign currency translation	(20)	-	(20)
At December 31, 2019	536	1,679	2,215
Less current portion	(536)	-	(536)
Non-current portion	-	1,679	1,679

The decommissioning provision is based on the Company's net ownership of wells and facilities in Indonesia and Canada, management's estimates of costs to abandon and reclaim those wells and facilities and the potential future timing of the costs to be incurred. Total undiscounted cash flows, escalated at 1.34% for inflation (December 31, 2018 – 1.94%), required to settle the Company's decommissioning provision are estimated to be $3.2 million at December 31, 2019 (December 31, 2018 – $3.6 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2020 and 2050. Estimated costs have been discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred which averaged at 1.75% at December 31, 2019 (December 31, 2018 – 2.23%).

11) TAXES

A reconciliation of income taxes calculated at the statutory income tax rate to the income tax recovery included in the consolidated statement of operations is as follows:

($000s)	Year Ended December 31 **2019**	2018
Loss before taxes and non-controlling interest	**(26,252)**	(271)
Statutory income tax rate	**26.5%**	27%
Expected income recovery at statutory rate	**(6,957)**	(73)
Increase (decrease) resulting from:		
Income taxes in jurisdictions with different rates	**134**	62
Impact on income tax rate adjustment on deferred taxes (1)	**(890)**	-
Non-deductible impairment (note 8)	**7,155**	-
Change in unrecognized deferred tax assets	**495**	(229)
Non-deductible stock-based compensation	**216**	173
Non-taxable equity income from investment in joint venture	**(1,296)**	(31)
Other	**18**	(27)
Income tax recovery	**(1,125)**	(125)

(1) Alberta decreased corporate income tax rates effective July 1, 2019 by 1% in 2019, and an additional 1% in each of 2020, 2021 and 2022.

The components of the Company's net deferred tax liabilities arising from temporary differences and loss carry-forwards are as follows. The tax losses expire from 2026 to 2039.

($000s)	**Balance at December 31, 2017**	**Deferred tax expense (recovery)**	**OCI**	**Balance at December 31, 2018**
Petroleum and natural gas properties	14,599	482	-	15,081
Investment in joint venture	-	(102)	102	-
Non-capital and capital losses	(7,432)	(488)	-	(7,920)
Decommissioning provision	(445)	(17)	-	(462)
Net deferred tax liability	6,722	(125)	102	6,699

($000s)	**Balance at December 31, 2018**	**Deferred tax expense (recovery)**	**Balance at December 31, 2019**
Petroleum and natural gas properties	15,081	(2,126)	12,955
Non-capital and capital losses	(7,920)	923	(6,997)
Decommissioning provision	(462)	78	(384)
Net deferred tax liability	6,699	(1,125)	5,574

The following table provides details of deductible temporary differences for which no deferred tax asset has been recognized:

($000s)	**December 31 2019**	December 31 2018
Non-capital and capital losses	**74,454**	62,917
Petroleum and natural gas properties	**-**	677
Total	**74,454**	63,594

12) SHARE CAPITAL

(a) Authorized

Unlimited Common Voting Shares
Unlimited Preferred Shares

(b) Issued and Outstanding Class A Common Shares

Common Shares	Shares Issued	Shares Outstanding	Amount ($000s)
Balance as at December 31, 2018 and 2017	54,900,407	54,900,407	$ 91,851
Issuance of common shares	250,000	250,000	222
Transfer from contributed surplus for options exercised	-	-	153
Shares purchased under normal course issuer bid	-	(654,400)	(1,095)
Shares cancelled	(454,400)	-	-
Balance as at December 31, 2019	54,696,007	54,496,007	$ 91,131

In May 2019, the Company renewed its normal course issuer bid through the TSX-V to continue the ability to purchase its common shares. Under the terms of the bid, Pan Orient is authorized to purchase, for cancellation, up to 4,504,064 of its common shares (10% of the public float), subject to a maximum of 1,098,008 common shares (2% of the 54,900,407 issued and outstanding common shares) during any 30 day period. The ability to purchase common shares under the bid commenced on May 16, 2019 and ends one year after commencement or on the earlier date on which Pan Orient has either acquired the maximum number of common shares specified above or otherwise decided not to make any further purchases.

The Company has purchased 654,400 shares under a normal course issuer bid at prices ranging from $1.08 to $2.13 per share, averaging $1.22. Of the 654,400 shares, 454,400 shares were cancelled in 2019 and the remaining 200,000 were cancelled in January 2020.

(c) Options to Purchase Common Shares

	Number of Options (1)	Weighted Average Exercise Price ($)
Options outstanding at December 31, 2017	3,431,000	1.42
Granted	1,560,000	1.09
Expired	(1,001,000)	1.52
Options outstanding at December 31, 2018	3,990,000	1.26
Granted	1,375,000	1.90
Exercised	(250,000)	0.89
Options outstanding at December 31, 2019	5,115,000	1.45

(1) These options are held by directors, senior management, employees and consultant of the Company.

	Options Outstanding at December 31, 2019			Options Exercisable at December 31, 2019		
Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (years)
1.09	1,560,000	1.09	3.11	1,040,000	1.09	3.11
1.43	2,180,000	1.43	0.10	2,180,000	1.43	0.10
1.90	1,375,000	1.90	4.22	458,337	1.90	4.22
1.09 – 1.90	5,115,000	1.45	2.12	3,678,337	1.39	1.46

(d) Stock-based Compensation

The fair value of the stock options granted has been estimated on the grant dates using the Black-Scholes option pricing model. Weighted average assumptions and resultant fair values for stock options granted during the years ended December 31, 2019 and 2018 are as follows:

	Year Ended December 31	
	2019	2018
Risk free interest rate (%)	**2**	2
Expected lives (years)	**5**	5
Expected volatility (%)	**55**	56
Dividend per share (%)	**-**	-
Forfeiture rate (%)	**11**	12
Weighted average fair value, per option	**$ 0.92**	$ 0.54

(e) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at December 31, 2019 Andora had 100.1 million (December 31, 2018 – 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2018 – 71.8%).

ii) Options to Purchase Common Shares of Andora

	Number of options	**Exercise price ($)**
Balance as at December 31, 2018 and 2019	9,500,000	0.15

	Options Outstanding at December 31, 2019			Options Exercisable at December 31, 2019		
Exercise Price ($)	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (years)
0.15	9,500,000	0.15	0.84	9,500,000	0.15	0.84

iii) Convertible Credit Facility

Andora entered into a convertible loan agreement with Pan Orient on January 30, 2018 whereby Andora can draw up to $2 million against a revolving credit facility. The loan bears interest at HSBC Canada prime rate for commercial loans in Canadian dollars plus three percent, per annum. Any principal drawn against the credit facility, including accrued interest (collectively, "outstanding amount"), is repayable upon demand or by December 31, 2022, whichever is earlier. Security for repayment of any outstanding amount is provided by a general security agreement creating a first fixed charge over all of Andora's property, subject to certain permitted encumbrances. Pan Orient has the option under the loan agreement to convert the outstanding amount, or a portion thereof, into Andora's common shares at a price of $0.15 per share. As of December 31, 2019, Andora had drawn $2.0 million (December 31, 2018 - $1.0 million) against the credit facility. Subsequent to year end, the Company increased the revolving credit facility limit by $500,000 under the same terms and conditions as the existing credit facility. As of the approval date of these financial statements, Andora has not drawn against the $500,000.

(f) Earnings per Share Attributable to Common Shareholders

A reconciliation of the weighted average number of common shares used to calculate diluted net income (loss) per share is as follows:

	Year Ended December 31 2019	2018
Weighted average common shares – basic and diluted	**54,957,877**	54,900,407
Net loss attributable to common shareholders ($000s)	**(25,304)**	(40)
Net loss per share, basic and diluted	**$ (0.46)**	$ (0.00)

Options were not included in the computation of weighted average diluted common shares because they were anti-dilutive.

13) CAPITAL MANAGEMENT

The Company's capital consists of the following:

($000s)	December 31 2019	2018
Working capital and non-current deposits	**22,158**	33,139
Share capital	**91,131**	91,851

Pan Orient's primary objective for managing its capital structure is to maintain financial capacity for the purpose of sustaining future development of its businesses and maintaining investor, creditor and market confidence.

The Company considers its capital structure to include share capital and working capital plus non-current deposits. Management is continually monitoring changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas industry. The Company currently has sufficient cash on hand to carry out its planned activities. However, in the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

Pan Orient's share capital is not subject to any external restrictions. Since the date of incorporation the Company has not paid or declared any dividends other than a $0.75 per common share special distribution in 2012, and a $0.40 per common share special distribution in 2016. There were no changes to the Company's approach to capital management during the year.

14) FINANCIAL INSTRUMENTS

Overview

The nature of Pan Orient's operations exposes the Company to credit risk, liquidity risk and market risk. Changes in commodity prices, foreign exchange rates and interest rates may have a material effect on cash flows, net income and comprehensive income. This note provides information about the Company's exposure to each of the above risks as well as the Company's objectives, policies and processes for measuring and managing these risks.

Pan Orient's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management.

Fair Value

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, and taxes receivable. Due to the short term nature of the Company's financial instruments the fair value approximates the carrying value.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale of oil production; all of the Company's production is sold to a refinery owned by the Thai National Oil Company. Pan Orient is paid for its production on a monthly basis, typically within a week of the end of the month. The Company has assessed the risk of non-collection from the Thai government as minimal.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing in less than 90 days. The Company's short-term investments currently consist of bankers' acceptances and term deposits. It is not the Company's policy to utilize complex, higher-risk investment vehicles.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company did not write-off any receivables during the years ended December 31, 2019 or 2018.

As at December 31, 2019 and 2018 there were no significant amounts past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its work commitments and other financial obligations as they come due. Pan Orient's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meets its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

The Company's liquidity is dependent upon its existing cash position and its operating cash flows. To forecast and monitor liquidity, the Company prepares annual operating and capital expenditure budgets in each country which are monitored and updated as considered necessary. Working capital at December 31, 2019 is $21.6 million.

The Company's only reported financial liabilities at December 31, 2019 are accounts payable and accrued liabilities, current portion of lease liabilities and decommissioning provision totaling $4.0 million which will mature within one year.

The Company's work commitments in Andora are expected to be funded through Andora's cash balances and drawing on the credit facility provided by the Company (note 12 (e)).

Market Risk

Market risk is the risk that changes in foreign exchange rates, commodity prices and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Commodity Price Risk

Changes in commodity prices may significantly impact the results of the Company's operations and cash generated from operating activities. Crude oil prices are impacted by world economic and political events that dictate the levels of supply and demand. The Company did not have any commodity price contracts in place as at or during the years ended December 31, 2019 or 2018.

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. Changes in interest rates could impact the Company's cash flows, and net loss and comprehensive income (loss). A 1% change in the interest rate would impact net loss before tax by approximately $0.2 million (2018 - $0.3 million) based on the cash balances at year end.

Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that future cash flows, net income (loss) and comprehensive income (loss) will fluctuate as a result of changes in foreign exchange rates. All of the Company's petroleum sales, which are solely derived from our investment in joint venture, are denominated in Thai baht based on a USD oil price, and all operational and capital activities related to the Thailand properties are transacted in either Thai baht or the U.S. dollar. In addition, the underlying market prices in Thailand for petroleum are impacted by changes in the exchange rate between the Thai baht and the U.S. dollar. The work commitments in Indonesia are expected to be carried out in U.S. dollars.

Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar and Thai baht can affect net income (loss) and other comprehensive income (loss) as a portion of the Company's operations use the U.S. dollar or Thai baht as their functional currency. The Company's reporting currency is the Canadian dollar and its subsidiaries' functional currencies are the Canadian dollar, the Thai baht and USD. Changes in foreign exchange rates between the Canadian dollar and the U.S. dollar and Thai baht can affect earnings.

As at December 31 the following financial instruments were denominated in currencies other than the Canadian dollar:

	December 31, 2019		December 31, 2018	
	US dollar ($000s)	**Indonesia Rupiah (000s)**	US dollar ($000s)	Indonesia Rupiah (000s)
Cash and cash equivalents	**12,939**	**12,065**	19,143	845,130
Accounts receivable	**9**	**-**	12	39,352,266
Deposits	**15**	**214,226**	24	-
Accounts payable and accrued liabilities	**(2,219)**	**(2,641,456)**	(1,402)	(7,377,201)
Net exposure in foreign currency	**10,744**	**(2,415,165)**	17,777	32,820,195
Net exposure in Canadian dollars(1) ($000s)	**13,941**	**(228)**	24,253	3,105

(1) Translated at December 31, 2019 and 2018 exchange rates.

Based on financial instruments held at December 31, 2019 and 2018, fluctuations in the exchange rates as indicated below would have the following estimated effect on net income (loss) and other comprehensive income (loss):

	December 31	
($000s)	**2019**	2018
Effect of 1% increase in USD to CAD exchange rate:		
Pre-tax net income	**168**	259
Other comprehensive loss	**(28)**	(16)
Effect of 1% increase in Rupiah to CAD exchange rate:		
Pre-tax net income (loss)	**-**	-
Other comprehensive income (loss)	**(2)**	31

15) SUBSIDIARIES

As at December 31, 2019 the Company had the following material subsidiaries:

Material Subsidiaries	**Nature and Primary Place of Business**	**Ownership**
Canadian Segment		
Andora Energy Corporation	Operator of and holds a 50% interest in the Sawn Lake SAGD Demonstration Project located in Northern Alberta.	71.8%
Thailand Segment		
Pan Orient Energy (Siam) Ltd. (Reported as investment in joint venture)	Operator of and holds a 100% interest in Concession L53/48.	50.01%
Indonesian Segment		
Pan Orient Energy East Jabung Pte. Ltd.	Non-operator and holds a 49% interest in the East Jabung production sharing contract onshore South Sumatra. (See note 8)	100.0%

16) NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests ("NCI"):

Name	Ownership interest held by NCI at December 31 2019	2018
Andora Energy Corporation ("Andora")	**28.2%**	28.2%

The following is summarized financial information for Andora before any intercompany eliminations:

($000s)	Year Ended December 31 2019	2018
Interest revenue	**11**	9
Total comprehensive income (loss)	**628**	(375)
Total comprehensive income (loss) attributable to non-controlling interests	**177**	(106)
Current assets	**334**	233
Non-current assets	**84,863**	84,377
Current liabilities	**(1,999)**	(1,030)
Non-current liabilities	**(7,292)**	(8,367)
Net assets	**75,906**	75,213
Net assets attributable to non-controlling interests	**21,426**	21,230
Changes in equity and other items impacting NCI	**(4,441)**	(4,422)
Non-controlling interest	**16,985**	16,808
Cash flows used in operating activities	**(282)**	(286)
Cash flows used in investing activities	**(650)**	(670)
Cash flows from financing activities	**1,000**	972
Net increase in cash and cash equivalents	**68**	16

The Company recognized the non-controlling interest in Andora as the NCI's share of net assets at the acquisition date with the NCI's share of income or loss recognized in subsequent periods. Transactions impacting the equity of Andora, such as stock based compensation and contributed surplus, have resulted in a difference between the proportionate share of Andora's net assets and the Non-controlling Interest recognized in Pan Orient's consolidated statement of financial position.

17) RELATED PARTY DISCLOSURES

Compensation for key management personnel in Canada, Indonesia and Thailand Joint Venture, being the officers and directors, is as follows:

($000s)	Year Ended December 31 2019	2018
Short-term benefits [(1)(2)]	**1,196**	1,314
Stock-based compensation [(2)]	**720**	599
Total	**1,916**	1,913

(1) Includes salaries, benefits, directors fees and the Company's share of key management compensation recorded in the income or loss in Thailand Joint Venture investment.
(2) Before capitalization to exploration and development activities.

The Company's consolidated statement of operations is prepared primarily by nature of expenses, with the exception of employee compensation costs which are included in general and administrative costs and stock-based compensation. The following table details the amount of employee compensation costs included in general and administrative expenses in the statement of operations:

($000s)	Year Ended December 31 2019	2018
General and administrative expense	**1,215**	710
Stock-based compensation expense	**815**	641
Total employee compensation costs	**2,030**	1,351

18) SEGMENTED INFORMATION

The Company operates in three countries and each country is considered a reportable segment. The three segments consist of: 1) interest in joint venture in partially developed conventional petroleum and natural gas properties in Thailand; 2) undeveloped petroleum and natural gas properties in Indonesia; and 3) an undeveloped heavy oil property in Canada. The following table provides information for each geographical segment for the years ended December 31:

As at:	**December 31, 2019**				December 31, 2018			
($000s)	**Thailand**	**Indonesia**	**Canada**	**Total**	Thailand	Indonesia	Canada	Total
Property, plant and equipment	**-**	**-**	**395**	**395**	-	-	433	433
Exploration and evaluation	**-**	**-**	**85,851**	**85,851**	-	17,174	85,308	102,482
Other assets	**34,127**	**177**	**26,106**	**60,410**	34,516	4,071	32,215	70,802
Total assets	**34,127**	**177**	**112,352**	**146,656**	34,516	21,245	117,956	173,717

Year Ended:	**December 31, 2019**				December 31, 2018			
($000s)	**Thailand**	**Indonesia**	**Canada**	**Total**	Thailand	Indonesia	Canada	Total
Income from joint venture	**4,890**	**-**	**-**	**4,890**	114	-	-	114
Amortization and depreciation	**-**	**95**	**57**	**152**	-	-	41	41
Recovery of decommissioning expense	**-**	**(14)**	**-**	**(14)**	-	-	-	-
General and administrative	**41**	**470**	**2,117**	**2,628**	32	266	1,948	2,246
Finance income	**-**	**-**	**(397)**	**(397)**	-	-	(494)	(494)
Stock based compensation	**-**	**-**	**815**	**815**	-	-	641	641
Impairment	**-**	**27,001**	**-**	**27,001**	-	-	-	-
Foreign exchange loss (gain)	**-**	**(50)**	**1,007**	**957**	-	18	(2,067)	(2,049)
Total expenses	**41**	**27,502**	**3,599**	**31,142**	32	284	69	385
Deferred income tax recovery	**-**	**-**	**(1,125)**	**(1,125)**	-	-	(125)	(125)
Net income (loss) attributable to:								
Common shareholders	**4,849**	**(27,502)**	**(2,651)**	**(25,304)**	82	(284)	162	(40)
Non-controlling interest	**-**	**-**	**177**	**177**	-	-	(106)	(106)
Total net income (loss)	**4,849**	**(27,502)**	**(2,474)**	**(25,127)**	82	(284)	56	(146)
Capital expenditures [(1)]	**-**	**12,229**	**604**	**12,833**	-	3,359	897	4,256

(1) Capital expenditures excluded decommissioning costs, the impact of changes in foreign exchange and capitalized stock-based compensation expense.

19) COMMITMENTS

As at December 31, 2019 the Company's estimated outstanding capital commitments are as follows:

			Estimated Net Financial Commitment (1)
Country and Concession Name	**Remaining Work Program Commitment**	**Obligation Ending**	**CAD(3) ($000s)**
Thailand Joint Venture			
Concession L53	▪ Surface reservation fee (2)	January 2021	-
Total Thailand			-
Canadian Heavy Oil Sands – Andora Energy Corporation			
Sawn Lake, Alberta	▪ Natural gas pipeline tariff	April 1, 2022 to March 31, 2030	719
Total Canada			719
			719

(1) Actual expenditures required to carry out these commitments may be significantly different from the estimates. The Company intends to fund commitments through expected cash flows from Thailand and the Company's existing working capital.

(2) The original nine year exploration period for Concession L53 expired on January 7, 2016. The Government of Thailand has approved a "reserved area" within Concession L53 for up to five years, with the payment of a surface reservation fee of $0.8 million, for each year Pan Orient Energy (Siam) Ltd. elects to retain the reserved area. Pan Orient Energy (Siam) Ltd. is entitled to receive a refund of the surface reservation fee for a particular year in an amount equal to the petroleum exploration expenditures spent in that year within the reserved area up to the reservation fee paid. Pan Orient Energy (Siam) Ltd. intends to spend at least the full amount each year the reserved area is renewed and, therefore, it is expected that the annual reservation fee will be fully refunded. During 2020, Pan Orient Energy (Siam) Ltd. paid the fifth and final year deposit for the remaining portion of the "reserved area" and is expected to receive the refund from the fourth year deposit. On January 7, 2021 the "reserved area" exploration lands will expire and only exploration and development lands within the production license areas will remain (with a 20 year primary term to January 7, 2026 plus an additional 10 year renewal period that can be applied for).

(3) Translated at December 31, 2019 exchange rates from the source currency in which the commitments were denominated in.