# PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

**(Unaudited)**

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

| ($000s) | **June 30 2018** | December 31 2017 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents | **32,267** | 37,662 |
| Accounts receivable | **4,079** | 475 |
| Taxes receivable | **82** | 148 |
| | **36,428** | 38,285 |
| **Deposits** | **687** | 4,361 |
| **Investment in joint venture** (note 4) | **32,804** | 32,185 |
| **Property, plant and equipment** (note 5) | **454** | 474 |
| **Exploration and evaluation** (note 6) | **99,840** | 97,095 |
| **Total assets** | **170,213** | 172,400 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **1,849** | 5,491 |
| Decommissioning provision (note 7) | **274** | 258 |
| | **2,123** | 5,749 |
| **Deferred tax liabilities** | **6,670** | 6,722 |
| **Decommissioning provision** (note 7) | **1,847** | 1,817 |
| **Total liabilities** | **10,640** | 14,288 |
| **Shareholders' equity** | | |
| Share capital (note 8) | **91,851** | 91,851 |
| Contributed surplus | **26,745** | 26,307 |
| Non-controlling interest | **16,858** | 16,914 |
| Accumulated other comprehensive income | **2,806** | 1,238 |
| Retained earnings | **21,313** | 21,802 |
| **Total shareholders' equity** | **159,573** | 158,112 |
| **Total liabilities and shareholders' equity** | **170,213** | 172,400 |

**Commitments** (note 11)

See accompanying notes to the condensed interim consolidated financial statements.

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

| | **Three Months Ended June 30** | | **Six Months Ended June 30** | |
|---|---|---|---|---|
| ($000s, except per share amounts) | **2018** | 2017 | **2018** | 2017 |
| **Expenses** | | | | |
| Loss from investment in joint venture (note 4) | **97** | 288 | **288** | 466 |
| Amortization and depreciation | **11** | 13 | **20** | 26 |
| Exploration and evaluation expense | **26** | - | **27** | 5 |
| Decommissioning expense | **-** | 71 | **-** | 293 |
| Recovery of impairment | **-** | (133) | **-** | (133) |
| General and administrative | **553** | 629 | **1,161** | 1,711 |
| Finance income | **(136)** | (71) | **(238)** | (130) |
| Stock-based compensation | **132** | 67 | **429** | 164 |
| Foreign exchange loss (gain) | **(478)** | 719 | **(1,090)** | 932 |
| | **205** | 1,583 | **597** | 3,334 |
| **Loss before taxes and non-controlling interest** | **(205)** | (1,583) | **(597)** | (3,334) |
| **Taxes** | | | | |
| Current income tax recovery | **-** | - | **-** | (148) |
| Deferred income tax recovery | **(23)** | (323) | **(52)** | (377) |
| | **(23)** | (323) | **(52)** | (525) |
| **Net loss** | **(182)** | (1,260) | **(545)** | (2,809) |
| **Other comprehensive income (loss)** | | | | |
| Foreign exchange gain (loss) on translation of foreign operations | **240** | (14) | **588** | (111) |
| Foreign exchange gain (loss) on translation of joint venture (note 4) | **(926)** | (353) | **980** | 370 |
| **Total other comprehensive income (loss)** | **(686)** | (367) | **1,568** | 259 |
| **Total comprehensive income (loss)** | **(868)** | (1,627) | **1,023** | (2,550) |
| **Net loss attributable to:** | | | | |
| Common shareholders | **(151)** | (1,224) | **(489)** | (2,738) |
| Non-controlling interest | **(31)** | (36) | **(56)** | (71) |
| **Net loss** | **(182)** | (1,260) | **(545)** | (2,809) |
| **Total comprehensive income (loss) attributable to:** | | | | |
| Common shareholders | **(837)** | (1,591) | **1,079** | (2,479) |
| Non-controlling interest | **(31)** | (36) | **(56)** | (71) |
| **Total comprehensive income (loss)** | **(868)** | (1,627) | **1,023** | (2,550) |
| **Net loss per share attributable to common shareholders** (note 8) | | | | |
| Basic and diluted | **$ -** | $ (0.02) | **$ (0.01)** | $ (0.05) |

See accompanying notes to the condensed interim consolidated financial statements.

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

| ($000s) | Share Capital | Contributed Surplus | NCI | AOCI | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31, 2016 | 91,816 | 26,006 | 17,051 | 1,377 | 26,934 | 163,184 |
| Net loss | - | - | (71) | - | (2,738) | (2,809) |
| Stock-based compensation expense | - | 164 | - | - | - | 164 |
| Capitalized stock-based compensation | - | 30 | - | - | - | 30 |
| Options exercised | 22 | - | - | - | - | 22 |
| Transfer from contributed surplus | 13 | (13) | - | - | - | - |
| Other comprehensive income | - | - | - | 259 | - | 259 |
| Balance as at June 30, 2017 | 91,851 | 26,187 | 16,980 | 1,636 | 24,196 | 160,850 |
| | | | | | | |
| Balance as at December 31, 2017 | 91,851 | 26,307 | 16,914 | 1,238 | 21,802 | 158,112 |
| Net loss | - | - | (56) | - | (489) | (545) |
| Stock-based compensation expense | - | 429 | - | - | - | 429 |
| Capitalized stock-based compensation | - | 9 | - | - | - | 9 |
| Other comprehensive income | - | - | - | 1,568 | - | 1,568 |
| Balance as at June 30, 2018 | 91,851 | 26,745 | 16,858 | 2,806 | 21,313 | 159,573 |

See accompanying notes to the condensed interim consolidated financial statements.

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| ($000s) | **2018** | 2017 | **2018** | 2017 |
| **Cash Provided From (Used in)** | | | | |
| **Operating Activities** | | | | |
| Net loss | **(182)** | (1,260) | **(545)** | (2,809) |
| Adjustments for non-cash items: | | | | |
| Deferred income tax recovery | **(23)** | (323) | **(52)** | (377) |
| Amortization and depreciation | **11** | 13 | **20** | 26 |
| Stock-based compensation | **132** | 67 | **429** | 164 |
| Accretion | **12** | 9 | **23** | 17 |
| Loss from investment in joint venture (note 4) | **97** | 288 | **288** | 466 |
| Exploration and evaluation expense | **-** | 71 | **-** | 293 |
| Recovery of impairment | **-** | (133) | **-** | (133) |
| Unrealized foreign exchange gain | **(442)** | - | **(1,088)** | - |
| Settlement on decommissioning expenditures | **-** | (27) | **-** | (457) |
| Changes in non-cash working capital | **2,942** | (291) | **(1,198)** | (506) |
| Cash flow from (used in) operating activities | **2,547** | (1,586) | **(2,123)** | (3,316) |
| **Investing Activities** | | | | |
| Property, plant and equipment | **-** | (31) | **-** | (41) |
| Exploration and evaluation | **(1,819)** | (316) | **(2,122)** | (1,243) |
| Dispositions of exploration and evaluation assets | **-** | 133 | **133** | 133 |
| Changes in non-cash working capital | **(816)** | (422) | **(2,219)** | (292) |
| Cash flow used in investing activities | **(2,635)** | (636) | **(4,208)** | (1,443) |
| **Financing Activities** | | | | |
| Issuance of common shares | **-** | 22 | **-** | 22 |
| Cash flow from financing activities | **-** | 22 | **-** | 22 |
| **Change in cash and cash equivalents** | **(88)** | (2,200) | **(6,331)** | (4,737) |
| **Effect of foreign exchange on cash and cash equivalents** | **291** | (5) | **936** | (51) |
| **Cash and cash equivalents, beginning of period** | **32,064** | 44,351 | **37,662** | 46,934 |
| **Cash and cash equivalents, end of period** | **32,267** | 42,146 | **32,267** | 42,146 |

See accompanying notes to the condensed interim consolidated financial statements.

## 1) CORPORATE INFORMATION

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

The Company is an oil and natural gas company which holds properties onshore Thailand and Indonesia as well as an interest in Andora Energy Corporation (ñAndoraò) which holds properties in Northern Alberta. The Company is continually pursuing other oil and natural gas exploration opportunities in Asia.

## 2) BASIS OF PRESENTATION

*Statement of Compliance*

The interim condensed consolidated financial statements for the Company as at June 30, 2018 and for the three and six months ended June 30, 2018 and 2017 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2017. The following disclosures are incremental to those included with the annual consolidated financial statements. Certain disclosures that are normally required in the notes to the annual consolidated financial statements have been condensed or omitted. The interim condensed consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements except as described below.

The interim condensed consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with the International Accounting Standards 34, ñInterim Financial Reportingò.

The interim condensed consolidated financial statements were approved by the Companyø Board of Directors on August 14, 2018.

## 3) CHANGES IN ACCOUNTING PRONOUNCEMENTS

*Revenue from Contracts with Customers*
In September 2015, the IASB published an amendment to IFRS 15 Revenue from Contracts with Customers, deferring the effective date to annual periods beginning on or after January 1, 2018. IFRS 15 replaces existing revenue recognition guidance with a single comprehensive accounting model. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. The adoption of IFRS did not require any material adjustments to the amounts recorded in the consolidated financial statements. The Companyø Thailand Joint Venture generates oil revenue which is included in the profit or loss from investment in joint venture (Note 4). Oil 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.

*Financial Instruments*
In July 2014, the IASB issued IFRS 9 Financial Instruments to replace IAS 39, which provides a single model for classification and measurement based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial instruments. For financial liabilities, the change in fair value resulting from an entityø own credit risk is recorded in other comprehensive income rather than net earnings, unless this creates an accounting mismatch. IFRS 9 includes a new, forward-looking ñexpected lossò impairment model that will result in a more timely recognition of expected credit losses. In addition, IFRS 9 provides a substantially-reformed approach to hedge accounting. The standard was effective for annual periods beginning on January 1, 2018. The adoption of IFRS 9 did not require any material adjustments to the consolidated financial statements.

Financial assets previously classified as loans and receivables (cash and cash equivalents, accounts receivable, and deposits), as well as financial liabilities previously classified as other financial liabilities (accounts payable and accrued liabilities) have been reclassified to amortized costs. The carrying value and measurement of all financial instruments remains unchanged. The Companyø current process of assessing short-term receivable, lifetime expected credit losses collectively in groups that share similar credit risk characteristics is unadjusted with the adoption of the new impairment model and resulted in no additional impairment allowance. Additionally, deposits were assessed individually under the expected credit loss model and no impairment was concluded.

## 4) 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. 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.

| **Six months ended:** | **June 30** | |
|---|---|---|
| ($000s) | **2018** | **2017** |
| Investment in joint venture, beginning of period | 32,185 | 32,795 |
| Change in amounts due from joint venture | (73) | (80) |
| Net loss from joint venture, after tax | (288) | (466) |
| Foreign currency translation | 980 | 370 |
| Investment in joint venture, end of period | 32,804 | 32,619 |

| Pan Orient Energy (Siam) Ltd. | | |
|---|---|---|
| Summarized Financial Information | **June 30** | |
| ($000s) | **2018** | **2017** |
| Current assets | 12,730 | 7,743 |
| Non-current assets | 59,694 | 62,630 |
| Current liabilities | (893) | (591) |
| Non-current liabilities | (17,681) | (17,595) |
| Net assets | 53,850 | 52,187 |

| **Pan Orient's Investment in Joint Venture** | | |
|---|---|---|
| Pan Orient's share of net assets | 26,927 | 26,096 |
| Fair value adjustment on initial recognition | 8,924 | 8,924 |
| Amortization of fair value adjustment on initial recognition | (1,341) | (856) |
| Change in amounts due from joint venture, since initial recognition | (1,706) | (1,545) |
| Investment in joint venture | 32,804 | 32,619 |

The Company�s share of income or loss from the joint venture is as follows:

| Pan Orient Energy (Siam) Ltd. Summarized Statement of Comprehensive Income (loss) ($000s) | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Oil revenue | 3,707 | 3,137 | 6,179 | 6,020 |
| Royalties | (184) | (154) | (304) | (295) |
| Interest income | 30 | 14 | 31 | 15 |
| Total net revenue | 3,553 | 2,997 | 5,906 | 5,740 |
| Production and operating | 576 | 514 | 1,095 | 988 |
| Transportation | 79 | 82 | 136 | 153 |
| Depletion and depreciation | 2,323 | 2,705 | 4,022 | 4,932 |
| Exploration expense | 2 | 53 | 104 | 53 |
| General and administrative | 444 | 379 | 847 | 767 |
| Foreign exchange loss (gain) | 1 | (2) | (3) | (6) |
| Total expenses | 3,425 | 3,731 | 6,201 | 6,887 |
| Income (loss) before income taxes | 128 | (734) | (295) | (1,147) |
| Deferred income tax expense (recovery) | 30 | (380) | (210) | (601) |
| Net income (loss) | 98 | (354) | (85) | (546) |
| Other comprehensive income (loss) | (1,853) | (704) | 1,957 | 741 |
| Total comprehensive income (loss) | (1,755) | (1,058) | 1,872 | 195 |
| **Pan Orient's share of loss from joint venture under equity method, (50.01% net to Pan Orient)** | | | | |
| Pan Orient�s share of net income (loss) | 50 | (177) | (42) | (273) |
| Amortization of fair value adjustment | (147) | (111) | (246) | (193) |
| Net loss from Joint Venture | (97) | (288) | (288) | (466) |

## 5) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at June 30, 2018 is set out below.

| ($000s) | **Indonesia** | **Canada** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| At December 31, 2017 | 308 | 1,353 | 1,661 |
| At June 30, 2018 | 308 | 1,353 | 1,661 |
| **Accumulated amortization and depreciation** | | | |
| At December 31, 2017 | (308) | (879) | (1,187) |
| Amortization and depreciation | - | (20) | (20) |
| At June 30, 2018 | (308) | (899) | (1,207) |
| **Net book value** | | | |
| At December 31, 2017 | - | 474 | 474 |
| At June 30, 2018 | - | 454 | 454 |

## 6) EXPLORATION AND EVALUATION

A reconciliation of the carrying amount of exploration and evaluation ("E&E") assets as at June 30, 2018 is set out below.

| ($000s) | **Indonesia** | **Canada** | **Total** |
|---|---|---|---|
| At December 31, 2017 | 12,591 | 84,504 | 97,095 |
| Additions | 1,626 | 505 | 2,131 |
| Dispositions | - | (133) | (133) |
| Changes in decommissioning costs | (4) | 5 | 1 |
| Foreign currency translation | 746 | - | 746 |
| At June 30, 2018 | 14,959 | 84,881 | 99,840 |

During the six months ended June 30, 2018, general and administrative costs totaling $0.4 million (June 30, 2017 – $0.3 million) were directly related to exploration and evaluation activities have been capitalized as E&E assets.

As at June 30, 2018 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.

## 7) DECOMMISSIONING PROVISION

| ($000s) | **Indonesia** | **Canada** | **Total** |
|---|---|---|---|
| At December 31, 2017 | 426 | 1,649 | 2,075 |
| Revisions to obligations | (4) | 5 | 1 |
| Accretion | 5 | 18 | 23 |
| Foreign currency translation | 22 | - | 22 |
| Current portion | 274 | - | 274 |
| Non-current portion | 175 | 1,672 | 1,847 |
| At June 30, 2018 | 449 | 1,672 | 2,121 |

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 2.0% for inflation, required to settle the Company's decommissioning provision are estimated to be $3.5 million at June 30, 2018 (June 30, 2017 – $3.3 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2018 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 2% at June 30, 2018 (June 30, 2017 – 2%).

## 8) SHARE CAPITAL

### (a) Authorized

Unlimited Common Voting Shares
Unlimited Preferred Shares

### (b) Issued and Outstanding Class A Common Shares

| Common Shares | **Shares Outstanding** | **Amount ($000s)** |
|---|---|---|
| Balance as at December 31, 2017 & June 30, 2018 | 54,900,407 | $ 91,851 |

(Expressed in Canadian dollars, unless otherwise noted)

In April 2018, 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 4,514,494 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 April 30, 2018 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. No shares were purchased between April 30, 2018 and the approval date of the financial statements.

### (c) Options to Purchase Common Shares

| | Number of Options | Weighted Average Exercise Price ($) |
|---|---|---|
| Options outstanding at December 31, 2017 | 3,431,000 | 1.42 |
| Granted | 1,560,000 | 1.09 |
| Options outstanding at June 30, 2018 | 4,991,000 | 1.31 |

| | Options Outstanding at June 30, 2018 | | | Options Exercisable at June 30, 2018 | | |
|---|---|---|---|---|---|---|
| Exercise Price [(1)] ($) | Number of Options | Weighted Average Exercise Price ($) | Weighted Average Remaining Contractual Life (years) | Number of Options | Weighted Average Exercise Price ($) | Weighted Average Remaining Contractual Life (years) |
| 0.89 ï 1.00 | 250,000 | 0.89 | 2.17 | 250,000 | 0.89 | 2.17 |
| 1.01 ï 1.50 | 3,740,000 | 1.29 | 2.86 | 2,700,000 | 1.36 | 2.18 |
| 1.51 ï 1.52 | 1,001,000 | 1.52 | 0.42 | 1,001,000 | 1.52 | 0.42 |
| 0.89 ï 1.52 | 4,991,000 | 1.31 | 2.33 | 3,951,000 | 1.37 | 1.98 |

### (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 three and six months ended June 30, 2018 and 2017 are as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Risk free interest rate (%) | **-** | - | **2** | - |
| Expected lives (years) | **-** | - | **5** | - |
| Expected volatility (%) | **-** | - | **56** | - |
| Dividend per share (%) | **-** | - | **-** | - |
| Forfeiture rate (%) | **-** | - | **12** | - |
| Weighted average fair value, per option | **$ -** | $ - | **$0.54** | $ - |

### (e) Andora Energy Corporation

#### i) Issued and Outstanding Class A Common Shares

As at June 30, 2018 Andora had 100.1 million (June 30, 2017 ï 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2017 ï 71.8%).

**ii) Options to Purchase Common Shares of Andora**

| | Number of options | Weighted average exercise price ($) |
|---|---|---|
| Balance as at December 31, 2017 & June 30, 2018 | 9,500,000 | 0.15 |

| | Options Outstanding at June 30, 2018 | | | Options Exercisable at June 30, 2018 | | |
|---|---|---|---|---|---|---|
| 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 | 2.34 | 6,333,338 | 0.15 | 2.34 |

**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, ñoutstanding amountò), 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 Andoraôs 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 Andoraôs common shares at a price of $0.15 per share. As of June 30, 2018, Andora had drawn $500,000 against the credit facility.

**(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:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Weighted average common shares ï basic and diluted | **54,900,407** | 54,887,220 | **54,900,407** | 54,886,319 |

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

## 9) FINANCIAL INSTRUMENTS

As at June 30, 2018 the following financial instruments were denominated in currencies other than the Canadian dollar:

| | **June 30, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **US dollar ($000s)** | **Indonesia Rupiah (000s)** | US dollar ($000s) | Indonesia Rupiah (000s) |
| Cash and cash equivalents | **15,765** | **998,157** | 19,793 | 447,843 |
| Accounts receivable | **-** | **39,352,266** [2] | 23 | - |
| Deposits | **108** | - | 170 | 39,352,266 [2] |
| Accounts payable and accrued liabilities | **(665)** | **(7,060,215)** | (152) | (52,567,194) |
| Net exposure in foreign currency | **15,208** | **33,290,208** | 19,834 | (12,767,085) |
| Net exposure in Canadian dollars[1] ($000s) | **20,022** | **3,080** | 24,882 | (1,191) |

*(1) Translated at June 30, 2018 and December 31, 2017 exchange rates.*
*(2) The deposit recorded in non-current deposit at December 31, 2017 which related to the expected refund of the deposit paid for the successful appeal of the offshore land and building tax at the East Jabung PSC has been reclassified to current receivable during the first quarter of 2018.*

## 10) 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 period ended June 30:

| **As at:** | June 30, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| ($000s) | **Thailand** | **Indonesia** | **Canada** | **Total** | Thailand | Indonesia | Canada | Total |
| Property, plant and equipment | **-** | **-** | **454** | **454** | - | - | 474 | 474 |
| Exploration and evaluation | **-** | **14,959** | **84,881** | **99,840** | - | 12,591 | 84,504 | 97,095 |
| Other assets | **32,813** | **4,066** | **33,040** | **69,919** | 32,205 | 4,238 | 38,388 | 74,831 |
| Total assets | **32,813** | **19,025** | **118,375** | **170,213** | 32,205 | 16,829 | 123,366 | 172,400 |

| **Six Months Ended:** | June 30, 2018 | | | | June 30, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| ($000s) | **Thailand** | **Indonesia** | **Canada** | **Total** | Thailand | Indonesia | Canada | Total |
| Loss from joint venture | **288** | **-** | **-** | **288** | 466 | - | - | 466 |
| Amortization and depreciation | **-** | **-** | **20** | **20** | - | - | 26 | 26 |
| Exploration and evaluation expense | **-** | **27** | **-** | **27** | - | 5 | - | 5 |
| Decommissioning expense | **-** | **-** | **-** | **-** | - | 293 | - | 293 |
| Recovery of impairment | **-** | **-** | **-** | **-** | - | (133) | - | (133) |
| General and administrative | **15** | **107** | **1,039** | **1,161** | 22 | 576 | 1,113 | 1,711 |
| Finance income | **-** | **-** | **(238)** | **(238)** | - | - | (130) | (130) |
| Stock based compensation | **-** | **-** | **429** | **429** | - | - | 164 | 164 |
| Foreign exchange (gain) loss | **-** | **5** | **(1,095)** | **(1,090)** | - | (25) | 957 | 932 |
| Loss before taxes and non-controlling interest | **303** | **139** | **155** | **597** | 488 | 716 | 2,130 | 3,334 |
| | | | | | | | | |
| Current income tax recovery | **-** | **-** | **-** | **-** | - | - | (148) | (148) |
| Deferred income tax recovery | **-** | **-** | **(52)** | **(52)** | - | - | (377) | (377) |
| Total taxes | **-** | **-** | **(52)** | **(52)** | - | - | (525) | (525) |
| | | | | | | | | |
| Net loss attributable to: | | | | | | | | |
| Common shareholders | **(303)** | **(139)** | **(47)** | **(489)** | (488) | (716) | (1,534) | (2,738) |
| Non-controlling interest | **-** | **-** | **(56)** | **(56)** | - | - | (71) | (71) |
| Total net loss | **(303)** | **(139)** | **(103)** | **(545)** | (488) | (716) | (1,605) | (2,809) |
| Capital expenditures [(1)] | **-** | **1,626** | **496** | **2,122** | - | 810 | 504 | 1,314 |

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

| **Three Months Ended:** | | **June 30, 2018** | | | June 30, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| ($000s) | **Thailand** | **Indonesia** | **Canada** | **Total** | Thailand | Indonesia | Canada | Total |
| Loss from joint venture | **97** | **-** | **-** | **97** | 288 | - | - | 288 |
| Amortization and depreciation | **-** | **-** | **11** | **11** | - | - | 13 | 13 |
| Exploration and evaluation expense | **-** | **26** | **-** | **26** | - | - | - | - |
| Decommissioning expense | **-** | **-** | **-** | **-** | - | 71 | - | 71 |
| Recovery of impairment | **-** | **-** | **-** | **-** | - | (133) | - | (133) |
| General and administrative | **2** | **35** | **516** | **553** | 7 | 77 | 545 | 629 |
| Finance income | **-** | **-** | **(136)** | **(136)** | - | - | (71) | (71) |
| Stock based compensation | **-** | **-** | **132** | **132** | - | - | 67 | 67 |
| Foreign exchange (gain) loss | **-** | **(39)** | **(439)** | **(478)** | - | (2) | 721 | 719 |
| Loss before taxes and non-controlling interest | **99** | **22** | **84** | **205** | 295 | 13 | 1,275 | 1,583 |
| | | | | | | | | |
| Deferred income tax recovery | **-** | **-** | **(23)** | **(23)** | - | - | (323) | (323) |
| Total taxes | **-** | **-** | **(23)** | **(23)** | - | - | (323) | (323) |
| | | | | | | | | |
| Net loss attributable to: | | | | | | | | |
| Common shareholders | **(99)** | **(22)** | **(30)** | **(151)** | (295) | (13) | (916) | (1,224) |
| Non-controlling interest | **-** | **-** | **(31)** | **(31)** | - | - | (36) | (36) |
| Total net loss | **(99)** | **(22)** | **(61)** | **(182)** | (295) | (13) | (952) | (1,260) |
| Capital expenditures [1] | **-** | **1,541** | **278** | **1,819** | - | 108 | 239 | 347 |

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

## 11) COMMITMENTS

As at June 30, 2018 the Company's estimated outstanding capital commitments are as follows:

| | | Estimated Net Financial Commitment | |
|---|---|---|---|
| **Country and Concession Name** | **Remaining Work Program Commitment** | **Obligation Ending** | **CAD[1] ($000s)** |
| **Thailand Joint Venture** | | | |
| Concession L53 | ▪ Surface reservation fee [2] | January 2021 | - |
| **Total Thailand** | | | - |
| **Indonesia** | | | |
| East Jabung | ▪ Geological studies | January 2019 [3] | 19 |
| **Total Indonesia** | | | 19 |
| **Canadian Heavy Oil Sands – Andora Energy Corporation** | | | |
| Sawn Lake, Alberta | ▪ Natural gas pipeline tariff ($12 thousand per month) | October 2018 | 49 |
| **Total Canada** | | | 49 |
| | | | **68** |

*(1) Translated at June 30, 2018 exchange rates from the source currency in which the commitments were denominated in.*

*(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. Pan Orient Energy (Siam) Ltd. received the refund of the deposit for the second year reservation fee from the Government of Thailand during the second quarter of 2018. During the first quarter of 2018, Pan Orient Energy (Siam) Ltd. paid the third year deposit for the remaining portion of the "reserved area".*

*(3) The original expiry of the East Jabung PSC occurred on November 21, 2017, the Company was notified by the operator that the drilling of the AYU-1X and ELOK-1X wells has satisfied the East Jabung PSC firm well commitment of two exploration wells to be drilled prior to the expiry of the first six year exploration phase. The initial six year exploration phase of the East Jabung PSC has been extended by the Government of Indonesia to January 20, 2019.*

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 cash balance.