



PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**

(Unaudited)

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

(\$000s)	June 30 2020	December 31 2019
Assets		
Current		
Cash and cash equivalents	26,447	24,767
Accounts receivable	707	790
	27,154	25,557
Deposits	608	604
Investment in joint venture (note 3)	30,709	34,127
Right-of-use assets	26	122
Property, plant and equipment (note 5)	371	395
Exploration and evaluation (note 6)	99	85,851
Total assets	58,967	146,656
Liabilities		
Current		
Accounts payable and accrued liabilities	2,422	3,343
Lease liabilities	24	124
Decommissioning provision (note 7)	515	536
	2,961	4,003
Lease liabilities	3	-
Deferred tax liabilities (note 6)	-	5,574
Decommissioning provision (note 7)	1,848	1,679
Total liabilities	4,812	11,256
Shareholders' equity		
Share capital (note 8)	87,249	91,131
Contributed surplus	30,557	27,923
Non-controlling interest	(5,242)	16,985
Accumulated other comprehensive income	3,284	2,903
Deficit	(61,693)	(3,542)
Total shareholders' equity	54,155	135,400
Total liabilities and shareholders' equity	58,967	146,656
Segmented information (note 10)		
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)

(\$000s, except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Other income				
Income (loss) from investment in joint venture (note 3)	(65)	1,699	491	2,353
Expenses				
General and administrative	520	483	1,094	1,291
Operating expense (note 6)	63	-	63	-
Stock-based compensation	122	139	249	532
Amortization and depreciation	13	15	27	29
Decommissioning expense	207	-	207	-
Impairment (notes 5 and 6)	-	-	85,799	-
Finance income	(23)	(86)	(132)	(153)
Foreign exchange (gain) loss	893	531	(626)	986
	1,795	1,082	86,681	2,685
Income (loss) before taxes and non-controlling interest	(1,860)	617	(86,190)	(332)
Taxes				
Deferred income tax recovery	-	(995)	(5,574)	(1,080)
Net income (loss) from continued operations	(1,860)	1,612	(80,616)	748
Net income (loss) from discontinued operations (note 4)	703	(76)	238	(85)
Net income (loss)	(1,157)	1,536	(80,378)	663
Other comprehensive income (loss)				
Foreign exchange gain on translation of joint venture (note 3)	557	238	381	373
Foreign exchange loss on translation of foreign operations	-	(404)	-	(695)
Total other comprehensive income (loss)	557	(166)	381	(322)
Total comprehensive income (loss)	(600)	1,370	(79,997)	341
Net income (loss) attributable to:				
Common shareholders	(1,034)	1,287	(58,151)	438
Non-controlling interest	(123)	249	(22,227)	225
Net income (loss)	(1,157)	1,536	(80,378)	663
Total comprehensive income (loss) attributable to:				
Common shareholders	(477)	1,121	(57,770)	116
Non-controlling interest	(123)	249	(22,227)	225
Total comprehensive income (loss)	(600)	1,370	(79,997)	341
Net income (loss) per share attributable to common shareholders (note 8)				
Basic and diluted – from continued operations	\$ (0.03)	\$ 0.02	\$ (1.09)	\$ 0.01
Basic and diluted – from discontinued operations	\$ 0.01	\$ (0.00)	\$ (0.00)	\$ (0.00)
Basic and diluted – from continued and discontinued operations	\$ (0.02)	\$ 0.02	\$ (1.09)	\$ 0.01

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 (Deficit)	Total
Balance as at December 31, 2018	91,851	26,965	16,808	4,578	21,762	161,964
Net income	-	-	225	-	438	663
Stock-based compensation expense	-	532	-	-	-	532
Normal course issuer bid	(106)	(16)	-	-	-	(122)
Other comprehensive loss	-	-	-	(322)	-	(322)
Balance as at June 30, 2019	91,745	27,481	17,033	4,256	22,200	162,715
Balance as at December 31, 2019	91,131	27,923	16,985	2,903	(3,542)	135,400
Net loss	-	-	(22,227)	-	(58,151)	(80,378)
Stock-based compensation expense	-	174	-	-	-	174
Normal course issuer bid	(3,882)	2,460	-	-	-	(1,422)
Other comprehensive income	-	-	-	381	-	381
Balance as at June 30, 2020	87,249	30,557	(5,242)	3,284	(61,693)	54,155

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)

(\$000s)	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Cash Provided From (Used in)				
Operating Activities				
Net income (loss) from continued operations	(1,860)	1,612	(80,616)	748
Adjustments for non-cash items:				
Deferred income tax recovery	-	(995)	(5,574)	(1,080)
Amortization and depreciation	13	15	27	29
Stock-based compensation (non-cash portion)	47	139	174	532
Accretion	5	8	10	17
Income from investment in joint venture (note 3)	65	(1,699)	(491)	(2,353)
Impairment	-	-	85,799	-
Decommissioning expense	207	-	207	-
Unrealized foreign exchange loss (gain)	894	532	(624)	987
Changes in non-cash working capital	38	67	98	(33)
Cash flow used in operating activities	(591)	(321)	(990)	(1,153)
Investing Activities				
Property, plant and equipment	-	-	(2)	-
Exploration and evaluation	-	(122)	(83)	(246)
Dividend from investment in joint venture (note 3)	-	-	4,300	-
Changes in non-cash working capital	-	(51)	(13)	(28)
Cash flow from (used in) investing activities	-	(173)	4,202	(274)
Financing Activities				
Normal course issuer bid	(733)	(122)	(1,422)	(122)
Finance lease payments	(10)	(2)	(20)	(2)
Cash flow used in financing activities	(743)	(124)	(1,442)	(124)
Change in cash and cash equivalents from continuing operations	(1,334)	(618)	1,770	(1,551)
Change in cash and cash equivalents from discontinuing operations (note 4)	(181)	(424)	(707)	214
Effect of foreign exchange on cash and cash equivalents	(901)	(526)	617	(1,047)
Cash and cash equivalents, beginning of period	28,863	30,846	24,767	31,662
Cash and cash equivalents, end of period	26,447	29,278	26,447	29,278

See accompanying notes to the condensed interim 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 interests in Pan Orient Energy (Siam) Ltd. which has properties onshore Thailand, interests in Andora Energy Corporation ("Andora") which has properties in northern Alberta, Canada (note 6) and with properties onshore Indonesia.

The undeveloped onshore interests in Indonesian East Jabung Production Sharing Contract ("PSC") expired in January 2020 and the operator is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. An impairment expense for the East Jabung PSC was recorded in the fourth quarter of 2019. The Company is withdrawing from operations in Indonesia and effective January 1, 2020, operations are considered discontinued operations for accounting purposes (note 4).

2) BASIS OF PRESENTATION

Statement of Compliance

The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2019. 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, "Interim Financial Reporting".

The interim condensed consolidated financial statements were approved by the Company's Board of Directors on August 11, 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.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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In early March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak to be a pandemic. Responses to the spread of COVID-19 have resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile commodity prices and currency exchange rates, and a marked decline in long-term interest rates. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. The results of the potential economic downturn and any potential resulting direct and indirect impact to the Company has been considered in management's estimate described above at the period end; however there could be a further prospective material impact in future period.

3) 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:

Six months ended: (\$000s)	June 30	
	2020	2019
Investment in Joint Venture, beginning of period	34,127	34,504
Change in amounts due from joint venture	10	(170)
Net income from joint venture, after tax	491	2,353
Dividend paid	(4,300)	-
Foreign currency translation	381	373
Investment in Joint Venture, end of period	30,709	37,060

Pan Orient Energy (Siam) Ltd. ⁽¹⁾ Summarized Financial Information (\$000s)	June 30	December 31
	2020	2019
Current assets	19,514	25,899
Non-current assets	73,095	69,424
Current liabilities	(7,571)	(6,140)
Non-current liabilities	(32,279)	(30,713)
Net assets	52,759	58,470

Pan Orient's Investment in Joint Venture

Pan Orient's 50.01% share of net assets of Pan Orient Energy (Siam) Ltd.	26,383	29,238
Fair value adjustment on initial recognition	8,924	8,924
Amortization of fair value adjustment on initial recognition	(3,334)	(2,761)
Change in amounts due from joint venture, since initial recognition	(1,264)	(1,274)
Investment in joint venture	30,709	34,127

(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.

Pan Orient Energy Corp.
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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)	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Oil revenue	7,812	15,910	21,548	23,221
Royalties	(392)	(833)	(1,099)	(1,189)
Interest income	10	42	11	43
Total net revenue	7,430	15,119	20,460	22,075
Production and operating	1,545	954	3,025	1,852
Transportation	417	477	921	682
Depletion, depreciation and amortization	4,262	5,128	9,020	7,618
General and administrative	441	444	922	846
Foreign exchange gain	(46)	(41)	(60)	(86)
Total expenses	6,619	6,962	13,828	10,912
Income before taxes	811	8,157	6,632	11,163
Current income tax expense	1,045	-	4,261	-
Deferred income tax expense (recovery)	(668)	4,060	245	5,460
Net income	434	4,097	2,126	5,703
Other comprehensive income	1,114	474	763	746
Total comprehensive income	1,548	4,571	2,889	6,449
Pan Orient's share of income (loss) from Joint Venture under equity method, (50.01% net to Pan Orient)				
Pan Orient's share of net income	218	2,049	1,064	2,852
Amortization of fair value adjustment	(283)	(350)	(573)	(499)
Net income (loss) from Joint Venture	(65)	1,699	491	2,353

(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.

Pan Orient Energy Corp.
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4) DISCONTINUED OPERATIONS

The undeveloped onshore interests in Indonesian East Jabung PSC expired in January 2020 and the operator is determining final steps to be taken for formal approval of the expiry from the Government of Indonesia, including reclamation requirements. An impairment expense for the East Jabung PSC was recorded in the fourth quarter of 2019. The Company is withdrawing from operations in Indonesia and the office in Jakarta was closed on March 31, 2020. The operation in Indonesia for accounting purposes effective January 1, 2020 is considered a discontinued operation under "IFRS 5 – Non-current assets held for sale and discontinued operations".

The following tables summarized financial information related to discontinued operations in Indonesia:

Net loss (income) from discontinued operations for the three and six months ended June 30, 2020 and 2019 is as follow:

(\$000s)	Three Months Ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Expenses				
General and administrative	96	60	168	123
Amortization	-	23	111	47
Recovery of decommissioning expense	-	-	-	(12)
Recovery of exploration expense	(672)	-	(672)	-
Foreign exchange loss (gain)	(127)	(7)	155	(73)
Net loss (income) from discontinued operations	(703)	76	(238)	85

Discontinued operations reported in the consolidated statements of cash flows are as follows:

(\$000s)	Three Months Ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Cash flow from (used in) operating activities	(181)	479	(596)	(1,138)
Cash flow from (used in) investing activities	-	(877)	-	1,404
Cash flow used in financing activities	-	(26)	(111)	(52)
Change in cash and cash equivalents from discontinuing operations	(181)	(424)	(707)	214

5) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at June 30, 2020 is set out below.

(\$000s)	Total
Cost	
At December 31, 2019	1,353
Additions	2
Impairment	(10)
At June 30, 2020	1,345
Accumulated depletion, depreciation and amortization	
At December 31, 2019	(958)
Amortization and depreciation	(16)
At June 30, 2020	(974)
Net book value	
At December 31, 2019	395
At June 30, 2020	371

Pan Orient Energy Corp.
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6) EXPLORATION AND EVALUATION

A reconciliation of the carrying amount of exploration and evaluation (“E&E”) assets as at June 30, 2020 is set out below.

(\$000s)	Total
At December 31, 2019	85,851
Additions	83
Impairment	(85,789)
Changes in decommissioning costs	(46)
At June 30, 2020	99

Impairment

Impairment expense of \$85.8 million, partially offset by a \$5.6 million of deferred tax recovery, was recorded on the E&E assets related to the carrying value of Andora’s Sawn Lake steam assisted gravity drainage project during the first quarter. Since mid-March 2020, the severe decline in crude oil prices resulting from geopolitical events and collapse of global crude oil demand due to COVID-19 has resulted in lower prices for heavy oil and bitumen and deterioration in the economics for commercial development at Sawn Lake. In the current market there is no expected commercial development at Sawn.

Andora incurred operating expense of \$63 thousand which related to Andora’s suspended demonstration project facility and well pair at Sawn Lake Central. These expenses were previously capitalized prior to the E&E impairment recorded during the first quarter of 2020.

7) DECOMMISSIONING PROVISION

A reconciliation of the Company’s decommissioning provision at June 30, 2020 is set out below.

(\$000s)	Canada	Indonesia	Total
At December 31, 2019	1,679	536	2,215
Revisions to obligations and foreign exchange	161	24	185
Settlement	-	(45)	(45)
Accretion	8	-	8
At June 30, 2020	1,848	515	2,363
Less current portion	-	(515)	(515)
Non-current portion	1,848	-	1,848

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 0.91% for inflation (December 31, 2019 – 1.34%), required to settle the Company’s decommissioning provision are estimated to be \$2.9 million at June 30, 2020 (December 31, 2019 – \$3.2 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 of the non-current portion of the provision have been discounted at the risk-free interest rate in the jurisdiction in which the expenditure is expected to be incurred which averaged at 0.89% at June 30, 2020 (December 31, 2019 – 1.75%).

Pan Orient Energy Corp.
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(Unaudited)

8) SHARE CAPITAL

(a) Authorized

Unlimited Common Voting Shares
 Unlimited Preferred Shares

(b) Issued and Outstanding Class A Common Shares

	Shares Issued	Shares Outstanding	Amount (\$000s)
Common Shares			
Balance as at December 31, 2019	54,696,007	54,496,007	\$ 91,131
Shares purchased under normal course issuer bid	-	(2,321,500)	(3,882)
Shares cancelled	(2,521,500)	-	-
Balance as at June 30, 2020	52,174,507	52,174,507	\$ 87,249

In May 2020, 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 4,228,734 of its common shares (10% of the public float), subject to a maximum of 1,059,190 common shares (2% of the 52,959,507 issued and outstanding common shares) during any 30 day period. The ability to purchase common shares under the bid commenced on May 21, 2020 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.

Under the old normal course issuer bid which was expired on May 16, 2020, the Company purchased and cancelled 2,190,900 common shares at an average price of \$0.78 per share, with 1,536,500 common shares repurchased in 2020 at an average price of \$0.59 per share.

Under the new normal course issuer bid which was renewed in May 2020, the Company purchased and cancelled 785,000 common shares at an average price of \$0.67 per share.

(c) Options to Purchase Common Shares

	Number of Options ⁽¹⁾	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2019	5,115,000	1.45
Expired	(2,180,000)	1.43
Options outstanding at June 30, 2020	2,935,000	1.47

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

Options Outstanding at June 30, 2020				Options Exercisable at June 30, 2020		
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	2.61	1,560,000	1.09	2.61
1.90	1,375,000	1.90	3.72	916,670	1.90	3.72
1.09 – 1.90	2,935,000	1.47	3.13	2,476,670	1.39	3.02

(d) Restricted Share Units

On May 12, 2020, the Company adopted a restricted share units (“RSUs”) plan and on May 19, 2020 granted 1,050,000 RSUs to its directors, senior management, employees and consultant. The vesting period of the RSU is one-third 6 months after the grant date (November 19, 2020), one-third 18 months after the grant date (November 19, 2021) and the final one-third 30 months after the grant date (November 19, 2022). The RSUs will be paid out based on the fair market value on each vesting date in cash. Fair market value of shares means (a) the average closing price for such shares on the TSX-V Exchange for the ten trading days on which the Shares traded immediately preceding the relevant date or (b) if the Board of Directors specifically so determines, the closing market price for such shares on the TSX-V Exchange on the relevant date. If the shares are not listed on the TSX-V Exchange or, if listed, have not traded on the Exchange within the previous ten trading days, then the fair market value may be determined by the Board of Directors, acting reasonably, using any other appropriate method selected by them. As at June 30, 2020, the closing price for the Company’s shares on TSX-V Exchange was \$0.58 per share, as a result, \$75 thousand of stock-based compensation and an accrued liability was recorded at June 30, 2020.

(e) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at June 30, 2020 Andora had 100.1 million (December 31, 2019 – 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2019 – 71.8%).

ii) Options to Purchase Common Shares of Andora

				Number of options		Weighted average exercise price (\$)
Balance as at December 31, 2019 & June 30, 2020				9,500,000		0.15
Options Outstanding at June 30, 2020				Options Exercisable at June 30, 2020		
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	0.34	9,500,000	0.15	0.34

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, “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. In January 2020, the Company increased the revolving credit facility limit by \$500,000 under the same terms and conditions as the existing credit facility. As at June 30, 2020, a total of \$2.3 million (December 31, 2019 - \$2.0 million) was drawn against the credit facility and the undrawn balance is available for use. As a result of the impairment of Andora’s E&E assets, the facility due from Andora is not expected to be collected in the foreseeable future (note 6).

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(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	
	2020	2019	2020	2019
Weighted average common shares – basic	52,773,188	54,890,223	53,548,405	54,895,287
Dilutive effect of stock options	-	1,301,726	-	1,122,544
Weighted average common shares – diluted	52,773,188	56,191,949	53,548,405	56,017,831

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, 2020 the following financial instruments were denominated in currencies other than the Canadian dollar:

	June 30, 2020		December 31, 2019	
	US dollar (\$000s)	Indonesia Rupiah (000s)	US dollar (\$000s)	Indonesia Rupiah (000s)
Cash and cash equivalents	16,657	-	12,939	12,065
Accounts receivable	-	-	9	-
Deposits	75	375,770	15	214,226
Accounts payable and accrued liabilities	(1,601)	-	(2,219)	(2,641,456)
Net exposure in foreign currency	15,131	375,770	10,744	(2,415,165)
Net exposure in Canadian dollars⁽¹⁾ (\$000s)	20,616	36	13,941	(228)

(1) Translated at June 30, 2020 and December 31, 2019 exchange rates.

Pan Orient Energy Corp.
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(Unaudited)

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) an undeveloped heavy oil property in Canada and 3) discontinued operations in Indonesia. The following table provides information for each geographical segment for the periods ended June 30:

As at: (\$000s)	June 30, 2020				December 31, 2019			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Property, plant and equipment	-	-	371	371	-	-	395	395
Exploration and evaluation	-	-	99	99	-	-	85,851	85,851
Other assets	30,709	138	27,650	58,497	34,127	177	26,106	60,410
Total assets	30,709	138	28,120	58,967	34,127	177	112,352	146,656

Six Months Ended: (\$000s)	June 30, 2020				June 30, 2019			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Income from joint venture	491	-	-	491	2,353	-	-	2,353
General and administrative	14	-	1,080	1,094	16	-	1,275	1,291
Operating expense	-	-	63	63	-	-	-	-
Stock based compensation	-	-	249	249	-	-	532	532
Amortization and depreciation	-	-	27	27	-	-	29	29
Decommissioning expense	-	-	207	207	-	-	-	-
Impairment	-	-	85,799	85,799	-	-	-	-
Finance income	-	-	(132)	(132)	-	-	(153)	(153)
Foreign exchange loss (gain)	-	-	(626)	(626)	-	-	986	986
Total expenses	14	-	86,667	86,681	16	-	2,669	2,685
Deferred income tax recovery	-	-	(5,574)	(5,574)	-	-	(1,080)	(1,080)
Net income (loss) from continued operations	477	-	(81,093)	(80,616)	2,337	-	(1,589)	748
Net income (loss) from discontinued operations	-	238	-	238	-	(85)	-	(85)
Net income (loss)	477	238	(81,093)	(80,378)	2,337	(85)	(1,589)	663
Net income (loss) attributable to:								
Common shareholders	477	238	(58,866)	(58,151)	2,337	(85)	(1,814)	438
Non-controlling interest	-	-	(22,227)	(22,227)	-	-	225	225
Net income (loss)	477	238	(81,093)	(80,378)	2,337	(85)	(1,589)	663

Pan Orient Energy Corp.

Notes to the Condensed interim consolidated financial statements

(Expressed in Canadian dollars, unless otherwise noted)

(Unaudited)

Three Months Ended: (\$000s)	June 30, 2020				June 30, 2019			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Income (loss) from joint venture	(65)	-	-	(65)	1,699	-	-	1,699
General and administrative	8	-	512	520	8	-	475	483
Operating expense	-	-	63	63	-	-	-	-
Stock based compensation	-	-	122	122	-	-	139	139
Amortization and depreciation	-	-	13	13	-	-	15	15
Decommissioning expense	-	-	207	207	-	-	-	-
Finance income	-	-	(23)	(23)	-	-	(86)	(86)
Foreign exchange gain	-	-	893	893	-	-	531	531
Total expenses	8	-	1,787	1,795	8	-	1,074	1,082
Deferred income tax recovery	-	-	-	-	-	-	(995)	(995)
Net income (loss) from continued operations	(73)	-	(1,787)	(1,860)	1,691	-	(79)	1,612
Net income (loss) from discontinued operations	-	703	-	703	-	(76)	-	(76)
Net income (loss)	(73)	703	(1,787)	(1,157)	1,691	(76)	(79)	1,536
Net income (loss) attributable to:								
Common shareholders	(73)	703	(1,664)	(1,034)	1,691	(76)	(328)	1,287
Non-controlling interest	-	-	(123)	(123)	-	-	249	249
Net income (loss)	(73)	703	(1,787)	(1,157)	1,691	(76)	(79)	1,536

11) COMMITMENTS

As at June 30, 2020 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 (\$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

- (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 received 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).



PAN ORIENT ENERGY CORP.

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