



PAN ORIENT ENERGY CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017
(Unaudited)**

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

(\$000s)	September 30 2017	December 31 2016
Assets		
Current		
Cash and cash equivalents	39,967	46,934
Accounts receivable (note 13)	4,038	321
Taxes receivable (note 8)	148	-
	44,153	47,255
Deposits (note 13)	707	4,371
Investment in joint venture (note 4)	31,601	32,795
Property, plant and equipment (note 5)	565	525
Exploration and evaluation (note 6)	93,968	89,446
Total assets	170,994	174,392
Liabilities		
Current		
Accounts payable and accrued liabilities	4,444	1,660
Taxes payable (note 8)	-	148
	4,444	1,808
Deferred tax liabilities	6,752	7,363
Decommissioning provision (note 7)	1,979	2,037
Total liabilities	13,175	11,208
Shareholders' equity		
Share capital (note 9)	91,851	91,816
Contributed surplus	26,266	26,006
Non-controlling interest	16,946	17,051
Accumulated other comprehensive income	376	1,377
Retained earnings	22,380	26,934
Total shareholders' equity	157,819	163,184
Total liabilities and shareholders' equity	170,994	174,392

Commitments (note 12)

Contingencies (note 13)

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 September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Revenue				
Interest	90	51	220	127
	90	51	220	127
Expenses				
Loss from investment in joint venture (note 4)	366	365	832	1,316
Amortization and depreciation	14	14	40	46
Exploration expense (note 6)	-	4	5	932
Exploration and evaluation expense (note 6)	-	-	293	-
Recovery of impairment	-	-	(133)	-
General and administrative	622	726	2,333	2,113
Stock-based compensation	64	96	228	354
Foreign exchange loss (gain)	1,108	(247)	2,040	846
	2,174	958	5,638	5,607
Loss before taxes and non-controlling interest	(2,084)	(907)	(5,418)	(5,480)
Taxes				
Current income tax expense (recovery)	-	(132)	(148)	279
Deferred income tax expense (recovery)	(234)	119	(611)	(1,030)
	(234)	(13)	(759)	(751)
Net loss	(1,850)	(894)	(4,659)	(4,729)
Other comprehensive income (loss)				
Foreign exchange gain (loss) on translation of foreign operations	(666)	1,832	(777)	(5,600)
Foreign exchange gain (loss) on translation of joint venture (note 4)	(594)	779	(224)	(324)
Total other comprehensive income (loss)	(1,260)	2,611	(1,001)	(5,924)
Total comprehensive income (loss)	(3,110)	1,717	(5,660)	(10,653)
Net loss attributable to:				
Common shareholders	(1,816)	(876)	(4,554)	(4,688)
Non-controlling interest	(34)	(18)	(105)	(41)
Net loss	(1,850)	(894)	(4,659)	(4,729)
Total comprehensive income (loss) attributable to:				
Common shareholders	(3,076)	1,735	(5,555)	(10,612)
Non-controlling interest	(34)	(18)	(105)	(41)
Total comprehensive income (loss)	(3,110)	1,717	(5,660)	(10,653)
Net loss per share attributable to common shareholders (note 9)				
Basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ (0.09)

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, 2015	113,770	25,316	17,169	27,625	109,771	293,651
Net loss	-	-	(41)	-	(4,688)	(4,729)
Stock-based compensation expense	-	354	-	-	-	354
Special distribution	(21,954)	-	-	-	-	(21,954)
Other comprehensive loss	-	-	-	(5,924)	-	(5,924)
Balance as at September 30, 2016	91,816	25,670	17,128	21,701	105,083	261,398
Balance as at December 31, 2016	91,816	26,006	17,051	1,377	26,934	163,184
Net loss	-	-	(105)	-	(4,554)	(4,659)
Stock-based compensation expense	-	228	-	-	-	228
Capitalized stock-based compensation	-	45	-	-	-	45
Options exercised	22	-	-	-	-	22
Transfer from contributed surplus	13	(13)	-	-	-	-
Other comprehensive loss	-	-	-	(1,001)	-	(1,001)
Balance as at September 30, 2017	91,851	26,266	16,946	376	22,380	157,819

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		Nine Months Ended	
	September 30	2016	September 30	2016
	2017		2017	2016
Cash Provided From (Used in)				
Operating Activities				
Net loss	(1,850)	(894)	(4,659)	(4,729)
Adjustments for non-cash items:				
Deferred tax expense (recovery)	(234)	119	(611)	(1,030)
Amortization and depreciation	14	14	40	46
Stock-based compensation	64	96	228	354
Accretion	10	5	27	14
Loss from investment in joint venture (note 4)	366	365	832	1,316
Exploration and evaluation expense (note 6)	-	-	293	-
Recovery of impairment	-	-	(133)	-
Unrealized foreign exchange loss	1,044	-	2,002	-
Decommissioning expenditures (note 7)	-	-	(457)	-
Changes in non-cash working capital	1,033	6,674	527	12,567
Cash flow from (used in) operating activities	447	6,379	(1,911)	8,538
Investing Activities				
Property, plant and equipment	(39)	(4)	(80)	(4)
Exploration and evaluation	(3,676)	(1,007)	(4,919)	(3,470)
Dispositions of exploration and evaluation assets	-	-	133	105
Changes in non-cash working capital	2,338	291	2,046	(2,430)
Cash flow used in investing activities	(1,377)	(720)	(2,820)	(5,799)
Financing Activities				
Special distribution	-	-	-	(21,954)
Issuance of common shares	-	-	22	-
Cash flow from (used in) financing activities	-	-	22	(21,954)
Change in cash and cash equivalents	(930)	5,659	(4,709)	(19,215)
Effect of foreign exchange on cash and cash equivalents	(1,249)	104	(2,258)	5
Cash and cash equivalents, beginning of period	42,146	41,197	46,934	66,170
Cash and cash equivalents, end of period	39,967	46,960	39,967	46,960

See accompanying notes to the condensed interim consolidated financial statements.

1) CORPORATE INFORMATION

Pan Orient Energy Corp. (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

The interim condensed consolidated financial statements for the Company as at September 30, 2017 and for the three and nine months ended September 30, 2017 and 2016 should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2016. 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.

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 November 14, 2017.

3) ACCOUNTING PRONOUNCEMENTS

IFRS 9 – Financial Instruments

In July 2014, IFRS 9 Financial Instruments was issued as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018 with earlier application permitted. The Company is currently assessing the impact of this standard and does not anticipate material changes to the valuation of its financial assets.

IFRS 15 – Revenue

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers and in September 2015 deferred the effective date to January 1, 2018. It replaces existing revenue recognition guidance and provides a single, principles based five-step model to be applied to all contracts with customers. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2018 with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases to replace IAS 17 Leases. IFRS 16 will eliminate the distinction between operating and financing leases and require all lease obligations to be presented as a liability on the statement of financial position. Application of this standard is effective for fiscal years beginning on or after January 1, 2019 with earlier application permitted if the Company also applies IFRS 15. The Company is currently assessing the impact of this standard.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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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.

Nine months ended: (\$000s)	September 30	
	2017	2016
Investment in joint venture, beginning of period	32,795	35,088
Change in amounts due from joint venture	(138)	(132)
Net loss from joint venture, after tax	(832)	(1,316)
Foreign currency translation	(224)	(324)
Investment in joint venture, end of period	31,601	33,316

Pan Orient Energy (Siam) Ltd. Summarized Financial Information (\$000s)	September 30	
	2017	2016
Current assets	8,949	6,121
Non-current assets	59,172	66,048
Current liabilities	(791)	(856)
Non-current liabilities	(16,811)	(18,520)
Net assets	50,519	52,793

Pan Orient's Investment in Joint Venture (\$000s)	September 30	
	2017	2016
Pan Orient's share of net assets	25,262	26,399
Fair value adjustment on initial recognition	8,924	8,924
Amortization of fair value adjustment on initial recognition	(982)	(584)
Change in amounts due from joint venture, since initial recognition	(1,603)	(1,423)
Investment in joint venture	31,601	33,316

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 September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Oil revenue	2,912	2,201	8,932	6,038
Royalties	(146)	(107)	(441)	(298)
Interest income	-	-	15	11
Total net revenue	2,766	2,094	8,506	5,751
Production and operating	544	501	1,532	1,537
Transportation	77	65	230	204
Depletion and depreciation	2,533	2,402	7,465	7,534
General and administrative	422	351	1,189	1,086
Impairment of exploration and evaluation assets	145	-	198	-
Foreign exchange (gain) loss	-	(1)	(6)	(1)
Total expenses	3,721	3,318	10,608	10,360
Loss before income taxes	(955)	(1,224)	(2,102)	(4,609)
Current income tax expense	-	-	1	1
Deferred income tax recovery	(474)	(639)	(1,075)	(2,432)
Net loss	(481)	(585)	(1,027)	(2,178)
Other comprehensive income (loss)	(1,186)	1,557	(445)	(649)
Total comprehensive income (loss)	(1,667)	972	(1,472)	(2,827)

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**Pan Orient's share of loss from joint venture under equity method,
(50.01% net to Pan Orient)**

Pan Orient's share of net loss	(241)	(292)	(514)	(1,089)
Amortization of fair value adjustment	(125)	(73)	(318)	(227)
Net loss from Joint Venture	(366)	(365)	(832)	(1,316)

5) PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the carrying amount of property, plant and equipment as at September 30, 2017 is set out below.

(\$000s)	Indonesia	Canada	Total
Cost			
At December 31, 2016	308	1,352	1,660
Additions	-	80	80
At September 30, 2017	308	1,432	1,740
Accumulated amortization and depreciation			
At December 31, 2016	(308)	(827)	(1,135)
Amortization and depreciation	-	(40)	(40)
At September 30, 2017	(308)	(867)	(1,175)
Net book value			
At December 31, 2016	-	525	525
At September 30, 2017	-	565	565

6) EXPLORATION AND EVALUATION

A reconciliation of the carrying amount of exploration and evaluation (E&E) assets as at September 30, 2017 is set out below.

(\$000s)	Indonesia	Canada	Total
At December 31, 2016	6,141	83,305	89,446
Additions	4,078	886	4,964
Dispositions	(133)	-	(133)
Recovery of impairment	133	-	133
Changes in decommissioning provision	163	(59)	104
Foreign currency translation	(546)	-	(546)
At September 30, 2017	9,836	84,132	93,968

General and administrative costs totaling \$0.4 million (September 30, 2016 - \$1.3 million) and stock-based compensation totaling \$45 thousand (September 30, 2016 - nil) that were directly related to exploration and evaluation activities have been capitalized as E&E assets.

During the nine months ended September 30, 2017, the Company recorded \$0.3 million in exploration and evaluation expense related to additional reclamation costs on the four wells previously drilled at the Batu Gajah PSC in Indonesia. The Batu Gajah PSC expired on January 15, 2017 and as a result, the Company reported in the fourth quarter of 2016 a \$102.3 million impairment charge of the Batu Gajah E&E assets which was partially offset by a \$22.6 million associated reduction in accumulated other comprehensive income related to foreign currency translation resulting in a net impairment expense of \$79.7 million.

As at September 30, 2017 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.

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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, 2016	439	1,598	2,037
Obligations incurred	163	32	195
Revisions to obligations	293	(91)	202
Decommissioning expenditures	(457)	-	(457)
Accretion	2	25	27
Foreign currency translation	(25)	-	(25)
At September 30, 2017	415	1,564	1,979

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% for inflation, required to settle the Company's decommissioning provision are estimated to be \$3.4 million (September 30, 2016 . \$2.0 million). Payments to settle the provision will be made over the operating lives of the underlying assets and are estimated to be incurred between 2021 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 September 30, 2017 (September 30, 2016 . 1%).

8) TAXES

A summary of Canadian taxes receivable (payable) at September 30, 2017 is as follows:

(\$000s)	September 30, 2017
Canadian taxes payable, beginning of period	(148)
Taxes paid	148
Current income tax recovery	148
Canadian taxes receivable, end of period	148

9) 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, 2016	54,885,407	\$ 91,816
Exercise of stock options	15,000	22
Transfer from contributed surplus on exercise of stock options	-	13
Balance as at September 30, 2017	54,900,407	\$ 91,851

On April 6, 2017 the Company announced that it intends to continue the purchase of its common shares pursuant to the renewal of its normal course issuer bid. Under the terms of the bid, Pan Orient is authorized to purchase, for cancellation, up to 4,512,964 of its common shares, subject to a maximum of 1,097,708 common shares during any 30 day period. Purchases under the bid will be made between April 12, 2017 and April 12, 2018. No shares were purchased between April 12, 2017 and the approval date of the financial statement.

(c) Options to Purchase Common Shares

	Number of Options	Weighted Average Exercise Price (\$)
Options outstanding at December 31, 2016	4,991,000	1.69
Exercised	(15,000)	1.43
Forfeited	(60,000)	2.40
Options outstanding at September 30, 2017	4,916,000	1.69

Options Outstanding at September 30, 2017				Options Exercisable at September 30, 2017			
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 . 1.00	250,000	0.89	2.92	250,000	0.89	2.92	
1.01 . 1.50	2,180,000	1.43	2.35	2,180,000	1.43	2.35	
1.51 . 2.00	1,001,000	1.52	1.17	1,001,000	1.52	1.17	
2.01 . 2.31	1,485,000	2.31	0.05	1,485,000	2.31	0.05	
0.89 . 2.31	4,916,000	1.69	1.44	4,916,000	1.69	1.44	

Stock options are granted pursuant to the Stock Option Plan. In accordance with the Stock Option Plan, the option period will be extended, with respect to any option that would otherwise expire during a black-out period, until the fifth trading day following the end of the black-out period, provided that the option period cannot be extended to later than ten years from the date of option grant (or such other maximum option term permitted by the TSX-V). A black-out period is a restriction imposed by the Company on all or any of its directors, officers, employees, consultants, insiders or other persons in a special relationship with the Company whereby they are to refrain from trading in the Company's securities until the restriction is lifted. 1,485,000 options with an exercise price of \$2.31 and a stated expiry date of September 5, 2017 were extended to October 18, 2017 due to a trading blackout and expired at that time.

(d) Andora Energy Corporation

i) Issued and Outstanding Class A Common Shares

As at September 30, 2017 Andora had 100.1 million (September 30, 2016 . 100.1 million) common shares issued and outstanding of which Pan Orient held 71.8% (December 31, 2016 . 71.8%).

ii) Options to Purchase Common Shares of Andora

	Number of options	Weighted average exercise price (\$)
Balance as at December 31, 2016 & September 30, 2017	9,500,000	0.15

Options Outstanding at September 30, 2017				Options Exercisable at September 30, 2017			
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	3.09	3,166,669	0.15	3.09	

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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(e) 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 September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Weighted average common shares . basic and diluted	54,900,407	54,885,407	54,891,066	54,885,407

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

10) FINANCIAL INSTRUMENTS

As at September 30, 2017 the following financial instruments were denominated in currencies other than the Canadian dollar:

	September 30, 2017		December 31, 2016	
	US dollar (\$000s)	Indonesia Rupiah (000s)	US dollar (\$000s)	Indonesia Rupiah (000s)
Cash and cash equivalents	21,119	781,988	22,678	592,131
Accounts receivable	23	-	22	-
Deposits	198	39,352,266	195	39,352,266
Accounts payable and accrued liabilities	(153)	(41,273,298)	(231)	(8,022,734)
Net exposure in foreign currency	21,187	(1,139,044)	22,664	31,921,663
Net exposure in Canadian dollars ⁽¹⁾ (\$000s)	26,440	(106)	30,434	3,217

(1) Translated at September 30, 2017 and 2016 exchange rates.

Pan Orient Energy Corp.
Notes to the Condensed interim consolidated financial statements
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11) SEGMENTED INFORMATION

The Company has interests in three countries, each of which is considered a reportable segment. The three segments consist of: 1) Pan Orient Energy (Siam) Ltd. which has partially developed conventional petroleum and natural gas properties in Thailand (see note 4); 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 September 30:

As at: (\$000s)	September 30, 2017				December 31, 2016			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Property, plant and equipment	-	-	565	565	-	-	525	525
Exploration and evaluation	-	9,836	84,132	93,968	-	6,141	83,305	89,446
Other assets	31,613	4,335	40,513	76,461	32,990	4,824	46,607	84,421
Total assets	31,613	14,171	125,210	170,994	32,990	10,965	130,437	174,392

Nine Months Ended: (\$000s)	September 30, 2017				September 30, 2016			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Interest revenue	-	-	220	220	-	-	127	127
Total net revenue	-	-	220	220	-	-	127	127
Loss from joint venture	832	-	-	832	1,316	-	-	1,316
Amortization and depreciation	-	-	40	40	-	1	45	46
Exploration expense (recovery)	-	5	-	5	-	932	-	932
Exploration and evaluation expense	-	293	-	293	-	-	-	-
Recovery of impairment	-	(133)	-	(133)	-	-	-	-
General and administrative	24	674	1,635	2,333	27	406	1,680	2,113
Stock based compensation	-	-	228	228	-	-	354	354
Foreign exchange (gain) loss	-	39	2,001	2,040	-	(15)	861	846
Total expenses	856	878	3,904	5,638	1,343	1,324	2,940	5,607
Current income tax expense (recovery)	-	-	(148)	(148)	-	-	279	279
Deferred income tax recovery	-	-	(611)	(611)	-	-	(1,030)	(1,030)
Total taxes	-	-	(759)	(759)	-	-	(751)	(751)
Net loss attributable to:								
Common shareholders	(856)	(878)	(2,820)	(4,554)	(1,343)	(1,324)	(2,021)	(4,688)
Non-controlling interest	-	-	(105)	(105)	-	-	(41)	(41)
Total net loss	(856)	(878)	(2,925)	(4,659)	(1,343)	(1,324)	(2,062)	(4,729)
Capital expenditures	-	4,078	966	5,044	-	1,670	1,804	3,474

Pan Orient Energy Corp.
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(Unaudited)

Three Months Ended: (\$000s)	September 30, 2017				September 30, 2016			
	Thailand	Indonesia	Canada	Total	Thailand	Indonesia	Canada	Total
Interest revenue	-	-	90	90	-	-	51	51
Total net revenue	-	-	90	90	-	-	51	51
Loss from joint venture	366	-	-	366	365	-	-	365
Amortization and depreciation	-	-	14	14	-	-	14	14
Exploration	-	-	-	-	-	4	-	4
General and administrative	2	98	522	622	13	143	570	726
Stock based compensation	-	-	64	64	-	-	96	96
Foreign exchange (gain) loss	-	64	1,044	1,108	-	(5)	(242)	(247)
Total expenses	368	162	1,644	2,174	378	142	438	958
Current income tax (recovery)	-	-	-	-	-	-	(132)	(132)
Deferred income tax (recovery)	-	-	(234)	(234)	-	-	119	119
Total taxes	-	-	(234)	(234)	-	-	(13)	(13)
Net loss attributable to:								
Common shareholders	(368)	(162)	(1,286)	(1,816)	(378)	(142)	(356)	(876)
Non-controlling interest	-	-	(34)	(34)	-	-	(18)	(18)
Total net loss	(368)	(162)	(1,320)	(1,850)	(378)	(142)	(374)	(894)
Capital expenditures	-	3,268	462	3,730	-	763	248	1,011

12) COMMITMENTS

As at September 30, 2017 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 ^{(3) (4) (5)}	▪ Geological studies	November 2017	17
	▪ Drill first exploration well (AYU-1X)	November 2017	1,249
	▪ Drill second exploration well (ELOK-1X)	November 2017	587
Total Indonesia			1,853
Canadian Heavy Oil Sands – Andora Energy Corporation			
Sawn Lake, Alberta	▪ Natural gas pipeline tariff (\$12 thousand per month)	2017	37
	▪ Natural gas pipeline tariff (\$12 thousand per month)	October 2018	122
Total Canada			159
			2,012

(1) Translated at September 30, 2017 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 approved a 215.87 square kilometer "reserved area" within Concession L53 for up to five years, with the payment of a surface reservation fee of \$0.8 million gross (\$0.4 million net to Pan Orient), for each year the Company elects to retain the reserved area. The Company 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. The Company 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. The reservation fee for the first and second years to January 7, 2018 has been paid and is included in the Company's Investment in Joint Venture in the consolidated statement of financial position. The Company met the exploration expenditures required and received the refund of the first year's reservation fee.

(3) The financial commitments for the East Jabung PSC in Indonesia as presented above represent the requisite firm first 3 year exploration work program pursuant to the PSC. A work program is submitted to the GOI annually for approval, in conjunction with the request for any required extension of the exploration period and the determination of any additional commitments. Although extension of the deadline for completion of the exploration work program is a departure from the original contract, it is considered standard practice in Indonesia. In the past, such applications have been approved by the GOI and management has no reason to believe that future requests will not be granted approval; however, there is no guarantee. Depending on the stage of the PSC, failure to fulfill the required firm commitments may also result in penalty payment equal to the unfulfilled commitments and/or forfeiture of the PSC.

(4) On June 1, 2015, the Company completed the farm-out of a 51% participating interest and operatorship of the East Jabung PSC. Under the terms and conditions of the farm-out agreement, the farminee has a firm commitment to fund the first USD \$10.0 million towards the first exploration well and a contingent commitment to fund the first USD \$5.0 million towards an appraisal well, if justified. The commitment provided above represents the Company's 49% interest in the 1) total remaining estimated costs of the drilling of the AYU-1X well, 2) total remaining estimated costs of the drilling of the ELOK-1X which qualified as the second exploration well commitment as stated in the PSC and 3) its share of the outstanding geological studies. The Company was notified by the operator that the drilling of the AYU-1X well and ELOK-1X well qualified for the two wells under the firm 3 year exploration work program.

(5) The original expiry of the East Jabung PSC is set 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 with Lost Time Replacement.

Management's estimate of the minimum amount to fulfill the commitments in Indonesia is based either on the amount stated in the PSC agreement, or the work program budget approved by the GOI if the work program activity has commenced.

Actual expenditures required to carry out these commitments may be significantly different from the estimates. The Company intends to fund commitments through the Company's existing cash balance.

13) CONTINGENCIES

International Operations

The Company has significant international operations and subsidiaries incorporated outside of Canada. The international operations and earnings of the Company and its affiliates have been, and may in the future be, affected from time to time in varying degree by political developments and laws and regulations, such as forced divestiture of assets; restrictions on production, imports and exports; price controls; tax increases and retroactive tax claims; expropriation of property; cancellation of contract rights and environmental regulations. Both the likelihood of such occurrences and their overall effect upon the Company can vary greatly from country to country and are not predictable.

Indonesia 2013 and 2014 Land and Building Tax

The Tax Directorate General of Indonesia in 2013 and 2014 assessed several oil and gas companies operating in Indonesia for 2012, 2013 and 2014 Land and Building Tax using a new framework which is being challenged by the impacted oil and gas companies in Indonesia. Pan Orient was issued Tax Assessments and Notifications for the East Jabung PSC for 78,705 million Indonesian rupiah, or \$7.3 million when translated at the September 30, 2017 exchange rate. Of the \$7.3 million tax assessed, \$6.8 million was associated with offshore and \$0.5 million was associated with sub-surface.

Pan Orient lodged an objection with the Indonesian Tax Office in 2013 in respect of the Land and Building Tax for the East Jabung PSC. The Indonesia Tax Office rejected the Company's objection in 2014. Likewise, the Tax Office also rejected the objections of the other oil and gas companies on this issue. The Company filed an appeal with the Indonesian Tax Court in 2014 and, as required by Indonesian law for filing an appeal with the Indonesian Tax Court, paid a refundable deposit of \$3.6 million, which is equal to 50% of the tax being disputed.

During the third quarter of 2017, the Company received a ruling from the Indonesian Tax Court that it had won the appeal on the offshore tax assessment but lost on the sub-surface tax assessment. The accrued penalty for the sub-surface tax assessment was \$0.2 million. At September 30, 2017, The Company had accrued the sub-surface tax, including penalties, of \$0.7 million in accounts payable and accrued liabilities. \$3.6 million that was previously recorded in non-current deposit has been reclassified to current receivable during the third quarter of 2017.

The Indonesia Tax Office could submit a judicial review to the Supreme Court of Indonesia to appeal the Indonesian Tax Court ruling. As of the date of the financial statements, the Company is not aware of such appeal being submitted by the Indonesia Tax Office.



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